

Agency Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	104.05	104.05	106.05	106.05	104.05	106.05	2.00	1.92%
Personal Services	5,763,795	6,889,978	6,637,637	6,647,901	12,653,773	13,285,538	631,765	4.99%
Operating Expenses	5,631,549	9,361,880	11,074,764	11,964,500	14,993,429	23,039,264	8,045,835	53.66%
Equipment & Intangible Assets	43,732	18,899	43,732	43,732	62,631	87,464	24,833	39.65%
Local Assistance	8,826,093	9,540,368	9,559,549	9,654,577	18,366,461	19,214,126	847,665	4.62%
Grants	14,526,744	20,019,130	20,877,033	20,281,454	34,545,874	41,158,487	6,612,613	19.14%
Benefits & Claims	25,034,673	59,399,808	32,073,189	35,908,489	84,434,481	67,981,678	(16,452,803)	(19.49%)
Transfers	169,519,888	181,652,716	186,735,525	188,489,500	351,172,604	375,225,025	24,052,421	6.85%
Total Costs	\$229,346,474	\$286,882,779	\$267,001,429	\$272,990,153	\$516,229,253	\$539,991,582	\$23,762,329	4.60%
General Fund	170,167,847	186,280,601	189,782,321	191,624,886	356,448,448	381,407,207	24,958,759	7.00%
State Special	18,154,607	17,031,878	19,084,815	19,582,864	35,186,485	38,667,679	3,481,194	9.89%
Federal Special	40,929,549	83,459,942	58,043,479	61,693,240	124,389,491	119,736,719	(4,652,772)	(3.74%)
Other	94,471	110,358	90,814	89,163	204,829	179,977	(24,852)	(12.13%)
Total Funds	\$229,346,474	\$286,882,779	\$267,001,429	\$272,990,153	\$516,229,253	\$539,991,582	\$23,762,329	4.60%

Agency Description

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System (MUS). The Montana Constitution, Article X, Section 9, grants governance authority over the MUS to the Board of Regents (Regents), with seven members appointed by the Governor. The Constitution charges the Regents with hiring a Commissioner of Higher Education (CHE) who serves as its executive staff.

All state funds appropriated by the legislature to the Regents for the support of the MUS are channeled through OCHE.

The Montana University System is comprised of:

- o The Board of Regents
- o The Commissioner of Higher Education, his/her staff, and several system-wide programs administered from the Office of the Commissioner of Higher Education
- o The University of Montana, with:
 - Four-year campuses in Missoula, Butte, and Dillon
 - Two-year college of technology campuses in Missoula, Butte, and Helena
 - Two research/public service agencies in Missoula and Butte
- o Montana State University, with:
 - Four-year campuses in Bozeman, Billings, and Havre
 - Two-year college of technology campuses in Billings and Great Falls
 - Three research/public service agencies in Bozeman and Great Falls
- o Two-year community colleges in Kalispell, Glendive, and Miles City. Governance of the community colleges is divided between the Regents and the local board of trustees of each community college district

Since the 1995 legislative session, the legislature has combined the appropriation for the university educational units (all campuses of Montana State and the University of Montana) and most of OCHE into a single, lump-sum appropriation. Thus, the legislature determines the size of this budget, but the Regents make the ultimate funding allocations to the various educational units and campuses.

Agency Highlights

Montana University System Major Budget Highlights
<ul style="list-style-type: none"> ◆ Overall, the executive budget increases the Montana University System budget in the 2011 biennium by \$23.8 million, a 4.6 percent increase from the 2009 biennium ◆ In dollar terms, the majority of the general fund increase (\$23.7 million of the \$25.0 million biennial increase) goes toward present law cost increases at the educational units and research/public service agencies but in percentage terms, the largest general fund increase (12.7 percent) goes toward student assistance programs ◆ The executive budget emphasizes two year education by adding \$100,000 in the 2011 biennium for the Deputy Commissioner for Two Year Education position in OCHE; increasing base funding for tribal colleges that serve non-beneficiary students by \$922,000; and increasing state funds for community college assistance by \$811,000 ◆ The College Affordability Plan, which resulted in a resident tuition rate freeze at the MUS education units for both years of the 2009 biennium, is not continued in the executive budget in the 2011 biennium
Major LFD Issues
<ul style="list-style-type: none"> ◆ Given that the executive budget proposal is based upon public policy decisions, rather than statutory formulas, the legislature may want to consider other funding levels for the MUS educational units and/or community colleges to address concerns about access and affordability of higher education ◆ Bitterroot Valley Community College will need a legislative appropriation if the legislature passes the joint resolution forming the new community college district ◆ The legislature may want to consider funding additional dental slots in WICHE as recommended by the interim legislative Postsecondary Education Policy and Budget Subcommittee resulting from an interim study, but excluded in the executive budget ◆ The legislature may want to consider monitoring the progress of implementing a two year education structure or system in Montana during the 2011 biennium if the funding for the deputy commissioner for two year education position is approved by the 2009 Legislature

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

Goals and Objectives from the 2009 Biennium

The following provides an update in the major goals monitored during the 2009 interim.

Goal #1 – Increase Educational Attainment of Montanans -- Promote education affordability in the MUS for Montana resident students as measured by:

- o Freezing resident tuition rates at the MUS educational units at the FY 2007 level for FY 2008 and FY 2009
- o Increasing the amount of state support as a percentage of total personal income, relative to peer states and historical levels
- o Decreasing tuition as a percentage of median household income

Success: Resident tuition rates at the MUS educational units were frozen at the FY 2007 level for both years of the 2009 biennium

Goal #2 – Increase Educational Attainment of Montanans -- Make higher education more affordable by offering more need-based financial aid grants and scholarships as measured by:

- o Percentage of students who receive financial aid
- o Average state funded aid/scholarship award amount
- o Amount of “unmet” student need

Challenges: State funding for need-based aid is about 53 percent of the regional average. The amount of unmet student need for financial aid in Montana (defined as the cost of attendance minus the expected family contribution and average aid award to eligible students) is about \$10,200 per student eligible for financial aid, or about \$70 million for the number of Pell grant recipients in FY 2007.

Goal #3 – Improve Institutional System Efficiency and Effectiveness - Improve the transferability of student credits/coursework between the campuses of the MUS (including the community colleges) as measured by:

- o Implementation of common course numbering
- o Development of a centralized, web-based computer program to demonstrate transferability of courses throughout the MUS

Success: The MUS projects 12 disciplines will complete common course numbering by January 2009 and 10 additional disciplines will complete common course numbering by June 2009.

Success: The MUS has developed a computer program that demonstrates transferable courses across the university system and the website will go live on January 1, 2009.

Challenges: This initiative will take two biennia to implement. All remaining disciplines are projected to have common course numbering implemented by June 2011.

Goal #4 – Increase Educational Attainment of Montanans -- Improve distance and online learning by coordinating online delivery of education across the MUS as measured by:

- o The number of students enrolled in distance learning education courses
- o The number of distance learning courses and programs offered
- o The number of distance learning programs for career training students and employers

Success: The MUS established a target of a 10 percent increase for each of the measurements listed. The number of students enrolled increased 26 percent from Fall 2006 to Fall 2007, the number of online courses and programs offered increased 19 percent from Fall 2006 to Fall 2007, and the number of workforce development degree programs and certificates offered increased 9 percent from Fall 2006 to Fall 2007.

Goals and Objectives and the 2011 Biennium Budget

In July 2006, the Montana Board of Regents adopted a comprehensive strategic plan intended to define goals and set the priorities for higher education in the state of Montana. The Regents approved an update to the strategic plan in July 2008. This strategic plan is posted on the Regents’ website at: http://mus.edu/data/Strategic_plan_final_Oct2008.pdf

The strategic plan is anchored by three overarching, fundamental goals for the university system, including:

- o Increase educational attainment of Montanans
- o Assist in the expansion and improvement of the economy
- o Improve institutional efficiency and effectiveness

This plan describes strategic initiatives the MUS will undertake to achieve each goal and measurable objectives to evaluate progress toward each goal. It is apparent that this strategic plan is intended to apply to each university unit and all programs under the control of the Regents and the commissioner of higher education. The Postsecondary Education Policy and Budget Subcommittee (PEPB) of the Education and Local Government interim legislative committee has also endorsed these goals and measurable objectives (accountability measures).

Increase Educational Attainment of Montanans -- Two Year Education

Both the Board of Regents and the PEPB dedicated a large portion of their work during the 2007-08 interim on increasing enrollment in two year education and developing a two year education structure or system in Montana. The 2009 Legislature will decide whether to approve the formation of a new community college district in Ravalli County, Montana. In addition, the executive budget would add \$100,000 general fund in the 2011 biennium to fund the Deputy Commissioner for Two Year Education position recently created by the Board of Regents. The formation of a two year education structure or system in Montana, as well as strategies to increase postsecondary enrollment in two year education, falls under the overarching goal to increase educational attainment of Montanans.

The legislature may wish to include two year education as one area to monitor during the 2009-10 interim. See the discussion in the Workforce Development Program later in this narrative for more specific information.

Increase Educational Attainment of Montanans -- Access and Affordability

The goal of promoting education affordability for Montana resident students was addressed in the 2009 biennium by the College Affordability Plan (CAP) that resulted in a resident tuition rate freeze for both years of the 2009 biennium. The executive budget does not continue the CAP into the 2011 biennium. One potential impact of discontinuing the CAP is that tuition rates will increase in the 2011 biennium.

The legislature may want to monitor the measurable objectives identified in the Board of Regents 2008 Strategic Plan for this goal, including:

- o Specific tuition guidelines
- o State support as a percentage of total personal income
- o Tuition as a percentage of median household income

This goal is discussed in more detail in the Appropriation Distribution Program.

Deliver Efficient and Coordinated Services – Common Course Numbering

As noted in the previous section, the transferability initiative funded by the 2007 Legislature and implemented by the Board of Regents during the 2009 biennium will take two biennia to implement. Transferability has been an area of significant interest by the legislature for many years. The executive budget continues base funding for the transferability initiative totaling \$535,000 in the 2011 biennium.

The legislature may wish to continue to monitor this goal during the 2011 biennium as the MUS completes its initial effort toward common course numbering and improving transferability for students.

Impact of Proposed Executive Budget

The impact of general fund spending in the executive budget is illustrated in the figure below, which demonstrates the funding levels for each of the major functional areas of the MUS and shows the percent change from the 2009 biennium.

As the table illustrates, the overall increase in general fund and other state revenue spending for the 2011 biennium is \$28.3 million, a 7.3 percent increase. The most significant biennial increases occur in the following programs:

- o University educational units receive a \$21.9 million biennial increase, primarily for present law adjustments
- o The Governor's Postsecondary Scholarship program increases by \$960,000 and is projected to provide awards to 3,580 students in the 2011 biennium, up from 3,137 students in the 2009 biennium
- o The WICHE/WWAMI/MN Dental program increases \$1.1 million in the 2011 biennium due to rising tuition rates at participating universities
- o Tribal College Assistance increases by \$923,000
- o The Teacher Loan Forgiveness Program increases by \$1.12 million and is projected to provide awards to 100 additional recipients each year of the 2011 biennium

Montana University System - Impact of 2011 Biennium Executive Budget Across Functional Areas					
General Fund and State Special Revenue Only					
Budget Item	Actual FY 2008	Budgeted FY 2009	Exec. Budget FY 2010	Exec. Budget FY 2011	% Change 09-11 Bien.
Education Services					
University Educational Units	\$142,509,931	\$153,344,611	\$158,115,687	\$159,670,846	7.41%
Resident Student Enrollment	26,278	26,756	26,756	26,756	0.90%
State Funds/Student	\$5,423	\$5,731	\$5,910	\$5,968	6.48%
Community College Assistance	\$8,710,093	\$9,420,368	\$9,425,642	\$9,515,684	4.47%
Resident Student Enrollment	2,059	2,224	2,219	2,219	3.6%
State Funds/Student	\$4,230	\$4,236	\$4,248	\$4,288	0.8%
Tribal College Assistance	\$450,002	\$450,000	\$911,402	\$911,402	102.53%
Non-Beneficiary Students	301	302	302	302	0.18%
State Funds/Student	\$1,493	\$1,488	\$3,013	\$3,013	102.17%
Research/Public Service Agencies	\$22,371,944	\$23,220,095	\$23,527,718	\$23,726,641	3.6%
Student Grants/Assistance					
WICHE/WWAMI/MN Dental	\$5,057,719	\$5,382,581	\$5,634,971	\$5,863,845	10.14%
Number of Students	165	169	169	170	1.50%
State Funds/Student	\$30,653	\$31,850	\$33,343	\$34,493	8.53%
Gov's Postsecondary Scholarships	\$1,507,000	\$2,533,000	\$2,500,000	\$2,500,000	23.76%
Number of Students	1,336	1,801	1,790	1,790	14.12%
State Funds/Student	\$1,128	\$1,406	\$1,397	\$1,397	10.21%
Baker Grants	\$2,018,775	\$2,018,775	\$2,018,775	\$2,018,775	0.00%
Number of Students	2,431	2,444	2,440	2,440	0.10%
State Funds/Student	\$830	\$826	\$827	\$827	-0.10%
Montana Higher Education Grants	\$508,414	\$498,747	\$508,414	\$508,414	0.96%
Number of Students	975	974	970	970	-0.46%
State Funds/Student	\$521	\$512	\$524	\$524	1.43%
State Work Study Program	\$862,989	\$862,989	\$862,989	\$862,989	0.00%
Number of Students	773	780	780	780	0.45%
State Funds/Student	\$1,116	\$1,106	\$1,106	\$1,106	-0.45%
State Match to Federal Grants	\$656,211	\$665,878	\$656,211	\$656,211	-0.73%
Number of Students	2,726	2,860	2,860	2,860	2.40%
State Funds/Student	\$241	\$233	\$229	\$229	-3.10%
Teacher Loan Forgiveness Program	\$307,280	\$676,175	\$900,000	\$1,200,000	113.53%
Number of Recipients	104	200	300	400	130.26%
State Funds/Recipient	\$2,955	\$3,381	\$3,000	\$3,000	-5.30%
Administration/Special Programs	\$2,697,730	\$3,574,893	\$3,085,961	\$3,053,577	-2.12%
Total General Fund & State Special Rev.	\$187,658,088	\$202,648,112	\$208,147,770	\$210,488,384	7.26%
Sources: SABHRS FY 2009 ongoing appropriations; student service data from OCHE, November 2008 FY 2008 Actual and 2011 Biennium Executive Budget from MBARS					
Figures for all years exclude Miscellaneous Sub-Programs at University Units					

Governance and Legislative Appropriations Authority

Although the Board of Regents is organizationally placed in the Executive Branch, the Montana Constitution grants the Regents broad governing authority over the Montana University System (MUS). Article X, Section 9, of the Montana Constitution provides “the government and control of the Montana University System is vested in the Board of Regents, which shall have full power, responsibility, and authority to supervise, coordinate, manage, and control the...system.” The powers and duties of the seven-member Board of Regents are further described in 20-25-301, MCA.

On the other hand, while the Montana Constitution grants governance authority to the Regents, the power to appropriate state funds remains with the legislature. The Montana University System receives funding from a variety of government sources, including state general fund and revenue from the six-mill property tax levy. These funds must be appropriated by the legislature. With this “power of the purse” typically comes the authority to attach policy decisions to the funding.

The product of higher education is, for the most part, the delivery of services to private individuals who pay directly for these services in a contractual manner. So the university system is also supported with “private revenue” that individuals contract for, specifically tuition for educational instruction, residence hall fees for housing, meal allowance for food service, ticket prices for athletic and arts events, etc. The legislature does not have any appropriations authority over these private revenue funds that go to the university system.

Within this constitutional configuration and diverse revenue sources, therefore, a tension exists between Regents’ autonomy that comes with governance authority and the power that comes from the legislative appropriation of state funds. Through a series of legal decisions, this tension has been reconciled as follows:

- o The Montana legislature cannot do indirectly, through fiscal appropriation, what it is not permitted to do directly by the Constitution. In other words, the appropriation of state funds cannot be used to blatantly drive university governance policy, as governance is the constitutional role of the Board of Regents
- o Legislative appropriation power does not extend to private funds received by state government that are restricted by law, trust agreement, or contract, such as student tuition and the other fees listed above
- o Legislative appropriation power does, however, allow the legislature to establish requirements that the university system must comply with, including audit, accounting, and other fiscal accountability measures
- o The legislature also may establish conditions on appropriated funds and, if the Board of Regents accepts the funds, then it also accepts those conditions

(**Source:** For more information about this Constitutional structure and history, see *The Structure of Higher Education in Montana: Meandering the Murky Line*, Montana Legislative Services Division, September 1999. Memo available at: <http://leg.state.mt.us/content/publications/services/legal/opinions/regents.pdf>)

Postsecondary Education Policy and Budget Subcommittee

During the 2007-08 interim the Postsecondary Education Policy and Budget Subcommittee (PEPB) of the Education and Local Government (ELG) interim legislative committee studied a wide spectrum of higher education issues and made recommendations summarized below.

HJR 22 Interim Study

The PEPB conducted the study requested by HJR 22, passed by the 2007 Legislature. This study resolution requested that an interim committee study repayment programs and other incentives to support access to dental care in the state, with an emphasis on rural areas. One of the recommendations resulting from the study that received unanimous support from the ELG was to expand the number of dental slots in the professional student exchange program by five slots per year.

The PEPB and ELG also supported study recommendations for other mechanisms to improve dental care in rural areas, including creation of a dental student loan repayment program administered through OCHE and creation of a dental

clinic extension program administered through MSU Bozeman. These recommendations would require specific legislation and are contained in a committee bill (LC 0152) that will be introduced in the 2009 session.

The executive budget does not include additional funding to implement any of the recommendations of the HJR 22 study.

College Affordability Plan

At its September 2008 meeting, the PEPB voted unanimously to recommend to the Governor and the Board of Regents that the College Affordability Plan (CAP) continue through the 2011 biennium if sufficient state revenue was available. As noted previously, the executive budget does not continue the CAP into the 2011 biennium.

Agency Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

Market Rate

- o The agency does not use the broadband pay plan.
- o About 80 percent of the agency's employees are covered by a university system classification and pay plan that does not use a singular market statistic or market ratio.
 - Low entry wage is 90 percent of the average wage for the same job among the lowest-paying one-quarter of Montana employers (75 percent of Montana employers pay higher). The high entry wage, on average, is about 115 percent of the low entry, near the 25th percentile average.
 - The average wage for current classified employees, who average about 9 years of service, is about 80 to 85 percent of the average Montana wage for the same job.
- o About 20 percent of the agency's employees are not covered by any classification and pay plan, but rather, are employed and paid under terms negotiated into individual employment contracts that last one year in duration and may be renewed or non-renewed at the agency's discretion.
 - The average salary is approximately 70 percent of the average for state institutional higher education administration offices nationwide, but the market statistic does not drive pay philosophy.
 - MUS contract professionals and administrators never obtain a legal property interest in (or rights to) their employment beyond the term of their annual contract. Property interest rights have a value, and not all state higher education systems operate similarly.

Vacancy

- o The MUS has seen slippage in its ability to recruit and retain capable employees as its current pay scales are declining in their market competitiveness.
- o Any additional resources like those requested in the salary initiative (but not included in the proposed executive budget) would be spent toward strategic pay adjustments to recruit and retain top performers instead of diluting the resources through across-the-board market ratio adjustments.
- o Agency funding sources is the largest obstacle in implementing merit and market pay plans.
- o Vacancies of qualified and experienced staff create a backlog of work and loss of experience which results in challenges to productivity, quality, and quantity of work.

Legislatively Applied Vacancy Savings

- o Vacancy savings is addressed the majority of the time by keeping positions open long enough to cover the vacancy savings necessary.

Pay Changes

- o For employees on the university system classified pay plan, the agency provided an across-the-board increase of 0.6 percent because recruitment-and-retention pressures (market pressures) were experienced similarly across all job categories.

- o For “non-classified” employees who are covered by annual individual employment contracts, the agency varied the 0.6 percent funding on the basis of performance or market, ranging from no raise for one employee to a high of 4.6 percent for the largest raise.

Retirements

- o Twelve employees in OCHE will be eligible for full retirement during the 2011 biennium, with pay out cost estimates ranging from \$200,000 to \$400,000 and funded primarily from general fund. Four employees retired during the 2009 biennium.
- o The department does anticipate retirements during the 2011 biennium and will recruit for replacements after keeping the positions open long enough to cover termination payouts that are not budgeted or funded and, therefore, must be paid for when incurred.

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Administration Program	\$ 5,284,221	\$ -	\$ 539,932	\$ 179,977	\$ 6,004,130	1.11%
02 Student Assistance Program	26,816,575	203,261	386,612	-	27,406,448	5.08%
03 Improving Teacher Quality	-	-	447,584	-	447,584	0.08%
04 Community College Assistance	18,941,326	-	-	-	18,941,326	3.51%
06 Educational Outreach & Diversity	146,687	-	12,727,918	-	12,874,605	2.38%
08 Work Force Development Pgm	280,127	-	12,590,080	-	12,870,207	2.38%
09 Appropriation Distribution	328,015,206	38,464,418	-	-	366,479,624	67.87%
11 Tribal College Assistance Pgm	1,822,804	-	-	-	1,822,804	0.34%
12 Guaranteed Student Loan Pgm	-	-	93,044,593	-	93,044,593	17.23%
13 Board Of Regents-Admin	100,261	-	-	-	100,261	0.02%
Grand Total	<u>\$ 381,407,207</u>	<u>\$ 38,667,679</u>	<u>\$ 119,736,719</u>	<u>\$ 179,977</u>	<u>\$ 539,991,582</u>	<u>100.00%</u>

Statutory Appropriations

The following figure shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Statutory Appropriations Montana University System					
Purpose	MCA #	Fund Source	Fiscal 2008	Fiscal 2010	Fiscal 2011
<u>No Direct Bearing on Agency Operations</u>					
Establish/maintain Montana travel research program (at UM Missoula)	15-65-121	GF	\$0	\$0	\$0
		SSR	386,076	485,468	506,934
		Federal	0	0	0
		Subtotal	<u>\$386,076</u>	<u>\$485,468</u>	<u>\$506,934</u>
<u>Direct Bearing on Agency Operations</u>					
Pay admin costs of rural physician incentive program and educational debt of certain rural physicians	20-26-1503	GF	\$0	\$0	\$0
		SSR	194,101	220,000	220,000
		Federal	0	0	0
		Subtotal	<u>\$194,101</u>	<u>\$220,000</u>	<u>\$220,000</u>

The statutory appropriation for travel research is state special revenue from an allocation of the 4 percent lodging facility use tax. The funds are distributed to the University of Montana through the Office of the Commissioner of Higher Education.

The statutory appropriation for the rural physician incentive program is state special revenue from fees assessed to students preparing to be physicians in the field of medicine or osteopathic medicine who are supported by the state pursuant to an interstate compact for a professional education program in those fields. The assessment may not exceed 16 percent of the annual support fee paid by the state and may be used only to pay the educational debts of physicians who practice in rural or underserved areas and administrative costs of the program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	170,167,847	170,167,847	340,335,694	89.23%	229,346,474	229,346,474	458,692,948	84.94%
Statewide PL Adjustments	(22,643)	(57,051)	(79,694)	(0.02%)	745,330	695,799	1,441,129	0.27%
Other PL Adjustments	18,720,778	20,597,718	39,318,496	10.31%	36,043,286	42,081,508	78,124,794	14.47%
New Proposals	916,339	916,372	1,832,711	0.48%	866,339	866,372	1,732,711	0.32%
Total Budget	\$189,782,321	\$191,624,886	\$381,407,207		\$267,001,429	\$272,990,153	\$539,991,582	

Agency Issues

State Percent Share and the Historical Impact on the University Educational Units

One of the budget formulas historically used to determine the state general fund appropriation for the university system is the state percent share formula. The historic state percent share formula is calculated as the percent of state funds appropriated for the university educational units to the total funds (e.g. state funds, tuition, interest earnings) budgeted for general operations at the university educational units and approved by the Board of Regents.

Essentially, this state percent share formula has been used to set the state share of funding of present law adjustments for the university educational units as well as determine the state share of funding for whatever pay plan is approved by the legislature. The figure below illustrates ten years of history of the funding mix for the university educational units and the trends for the various revenue sources, including the state percent share.

Historical Funding and State Percent Share - Educational Units Only Montana University System Fiscal Years 2000 - 2009											
Budgeted Revenue by Source	FY 2000 Budgeted	FY 2001 Budgeted	FY 2002 Budgeted	FY 2003 Budgeted	FY 2004 Budgeted	FY 2005 Budgeted	FY 2006 Budgeted	FY 2007 Budgeted	FY 2008 Budgeted	FY 2009 Budgeted	Annual Percent Change
General Fund	\$ 94,922,977	\$ 95,844,703	\$104,849,450	\$101,347,323	\$107,186,837	\$101,381,233	\$111,395,004	\$112,552,060	\$125,093,960	\$138,977,163	4.33%
Student Tuition	108,577,974	112,934,296	120,897,552	147,022,505	158,086,393	172,721,055	188,215,243	206,049,651	204,832,437	204,032,754	7.26%
Six-Mill Levy	14,809,000	15,280,000	11,868,912	12,036,912	12,235,000	12,362,999	13,385,001	13,679,000	17,565,323	16,369,436	1.12%
Other	2,313,795	2,504,907	3,002,673	2,970,384	5,946,357	6,355,565	2,558,151	2,007,205	3,965,741	2,136,468	-0.88%
Total	<u>\$220,623,746</u>	<u>\$226,563,906</u>	<u>\$240,618,587</u>	<u>\$263,377,124</u>	<u>\$283,454,587</u>	<u>\$292,820,852</u>	<u>\$315,553,399</u>	<u>\$334,287,916</u>	<u>\$351,457,461</u>	<u>\$361,515,821</u>	5.64%
Total State Support	109,731,977	111,124,703	116,718,362	113,384,235	119,421,837	113,744,232	124,780,005	126,231,060	142,659,283	155,346,599	3.94%
State Percent Share	<u>49.7%</u>	<u>49.0%</u>	<u>48.5%</u>	<u>43.1%</u>	<u>42.1%</u>	<u>38.8%</u>	<u>39.5%</u>	<u>37.8%</u>	<u>40.6%</u>	<u>43.0%</u>	-1.61%

Sources: BOR Operating Budgets (Summary of Funding) FY 1988 - 1995
OCHE Submission to Legislative Audit Division (Cost of Education Historical Summary) FY 1996-2006
2007 - 2009 MBARS excluding OTO appropriations and Misc Sub-Programs

As the figure above illustrates, since FY 2000 student tuition has been the fastest growing revenue source for the university educational units, growing at about 7.3 percent per year, while overall state support has been growing 3.9 percent per year. In the meantime, the state percent share has gone from 49.7 percent in FY 2000 to 43.0 percent in FY 2008.

In the 2009 biennium, the executive recommended, and the legislature endorsed, a policy change to not use this historic state percent share formula to determine the level of present law adjustments for the university educational units. Rather, the formula proposed by the executive to establish the state percent share of funding for cost increases was calculated as the ratio of Montana resident and the regional exchange students in the Western Undergraduate Exchange Program (WUE) students as a percentage of total student enrollment at university unit campuses. This ratio was calculated at 84.7 percent for the base year (FY 2006) and was used as the state percent share of funding that was applied to the major budget and funding bills in the 2007 session. This policy change was significant as the historic state share formula that would have been used in the 2009 biennium was 39.5 percent.

In the 2011 biennium, the executive recommends reverting back to the historic state percent share formula for cost increases from FY 2009. That is, calculating the state percent share formula based upon the ratio of total state funds to total funds approved by the Board of Regents. For the 2011 biennium, this state percent share percentage is 42.1 percent.

This formula and the impact upon the budget are discussed below as part of Program 09, Appropriation Distribution.

University Tuition and Mandatory Fee Rates

The figure below illustrates the mandatory tuition and fee rates for the various educational institutions of the Montana University System, specifically the four-year degree and two-year degree schools, as well as the three community colleges.

Montana University System Resident Student Tuition and Mandatory Fee Rates for Educational Units and Community Colleges (1998 - 2008)													
Campus Type	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Annual Average Increase	Overall Increase
Four-year Campuses	\$2,629	\$2,834	\$2,952	\$3,062	\$3,428	\$3,956	\$4,124	\$4,500	\$4,942	\$5,331	\$5,404	7.5%	105.6%
Two-year Campuses	2,049	2,228	2,274	2,288	2,522	2,670	2,710	2,932	3,036	3,137	3,181	4.5%	55.2%
Community Colleges	1,423	1,473	1,605	1,619	1,797	1,891	2,122	2,318	2,502	2,744	3,079	8.0%	116.4%

Source: Montana University System - Inventory and Validation of Fees Report (1997-2007); OCHE (2008)
Four-year and Two-year campuses use weighted-average...Community Colleges use average rates

As this figure demonstrates, the tuition and mandatory fee rates paid by Montana students for postsecondary education have increased at a steady rate since 1998. The increase between FY 2007 and FY 2008 for the 4 year and 2 year

campus types is attributable to mandatory fee increases. Per the CAP agreement, tuition rates did not increase at the 4-year and 2-year units. However, both tuition and mandatory fees increased at community colleges between FY 2007 and FY 2008. The community colleges were not part of the CAP program in the 2009 biennium.

Long Range Building Program Funding

Long Range Building Program cash funds are appropriated in HB 5 rather than in HB 2. The figure below illustrates that the 2011 biennium executive budget proposes that the Montana University System receive \$13.15 million long range building program cash funding, \$7.60 million state building energy conservation program funds, and authorization for \$11.50 million non-state university funds for four projects across the campuses and research/public service agencies.

Long Range Building Program - 2011 Biennium Montana University System (MUS) Executive Recommendations - Cash Projects							
Executive Ranking of 60 Projects	Project	Long Range Building Program Funds	State Building Energy Conservation Program Funds	State Special Funds	Federal Special Funds	University Other Funds	Total
1	Energy Conservation Improvements, MUS	\$7,000,000	\$7,600,000			\$4,500,000	\$19,100,000
22	Code/Deferred Maintenance, MUS	4,000,000				1,000,000	5,000,000
32	Renovate Hagener Science Center, MSU-N	2,150,000					2,150,000
44	General Spending Authority - UM	0				6,000,000	6,000,000
	Total	<u>\$13,150,000</u>	<u>\$7,600,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,500,000</u>	<u>\$32,250,000</u>

This information is presented in this section for information purposes only but for more information and detail about the Long Range Building Program see Section F of the Legislative Budget Analysis 2011 Biennium.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	22.40	22.40	24.40	24.40	22.40	24.40	2.00	8.93%
Personal Services	2,156,082	2,444,034	2,217,645	2,219,172	4,600,116	4,436,817	(163,299)	(3.55%)
Operating Expenses	541,685	1,016,337	724,793	683,835	1,558,022	1,408,628	(149,394)	(9.59%)
Equipment & Intangible Assets	21,389	11,244	21,389	21,389	32,633	42,778	10,145	31.09%
Local Assistance	0	0	8,907	8,893	0	17,800	17,800	n/a
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	49,107	49,000	0	98,107	98,107	n/a
Total Costs	\$2,719,156	\$3,471,615	\$3,021,841	\$2,982,289	\$6,190,771	\$6,004,130	(\$186,641)	(3.01%)
General Fund	2,360,914	3,068,865	2,658,586	2,625,635	5,429,779	5,284,221	(145,558)	(2.68%)
Federal Special	263,771	292,392	272,441	267,491	556,163	539,932	(16,231)	(2.92%)
Other	94,471	110,358	90,814	89,163	204,829	179,977	(24,852)	(12.13%)
Total Funds	\$2,719,156	\$3,471,615	\$3,021,841	\$2,982,289	\$6,190,771	\$6,004,130	(\$186,641)	(3.01%)

Program Description

The Office of the Commissioner of Higher Education (OCHE) Administration Program includes: 1) general administration of the university system, 2) academic, financial, and legal administration, 3) labor relations and personnel administration, and 4) student assistance administration. Article X, Section 9, of the Montana Constitution requires that the Board of Regents appoints the commissioner and prescribes his/her powers and duties.

Program Highlights

Administration Program Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The 2011 biennium program budget decreases three percent compared to the 2009 biennium because <ul style="list-style-type: none"> • Termination costs related to retirement that were paid in the base budget are not continued into the 2011 biennium • Budgeted vacancy savings for the 2011 biennium exceeds the actual vacancy savings realized in FY 2008 ◆ The Governor approved permanent funding for two positions authorized by the Board of Regents that had previously been funded from general fund transferred in from the Appropriation Distribution Program 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Agency fixed costs are overstated by approximately \$13,000 for the 2011 biennium 	

Program Narrative

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Please refer to the agency narrative for a discussion of the identified significant goals for the 2011 biennium.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor. Funding is primarily general fund. However, about 13 percent of the funding in the base year was from federal and proprietary revenue to support administrative overhead activities, such as accounting and payroll, for federal grant programs and proprietary programs administered by other OCHE programs (e.g. Talent Search, GEAR-UP, Perkins, Group Insurance, and MUS Workers Compensation).

Program Funding Table Administration Program							
Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	\$ 2,360,914	86.8%	\$ 2,658,586	88.0%	\$ 2,625,635	88.0%
	01100 General Fund	2,360,914	86.8%	2,658,586	88.0%	2,625,635	88.0%
03000	Total Federal Special Funds	263,771	9.7%	272,441	9.0%	267,491	9.0%
	03080 Che Indirect Cost Recovery	263,771	9.7%	272,441	9.0%	267,491	9.0%
06000	Total Proprietary Funds	94,471	3.5%	90,814	3.0%	89,163	3.0%
	06539 Indirect Costs - Oche	94,471	3.5%	90,814	3.0%	89,163	3.0%
Grand Total		\$ 2,719,156	100.0%	\$ 3,021,841	100.0%	\$ 2,982,289	100.0%

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,360,914	2,360,914	4,721,828	89.36%	2,719,156	2,719,156	5,438,312	90.58%
Statewide PL Adjustments	(19,701)	(54,197)	(73,898)	(1.40%)	(14,688)	(55,785)	(70,473)	(1.17%)
Other PL Adjustments	112,434	113,946	226,380	4.28%	112,434	113,946	226,380	3.77%
New Proposals	204,939	204,972	409,911	7.76%	204,939	204,972	409,911	6.83%
Total Budget	\$2,658,586	\$2,625,635	\$5,284,221		\$3,021,841	\$2,982,289	\$6,004,130	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(59,512)					(57,957)
Vacancy Savings					(83,864)					(83,925)
Inflation/Deflation					3,030					3,563
Fixed Costs					125,658					82,534
Total Statewide Present Law Adjustments					(\$14,688)*					(\$55,785)*
DP 103 - Rent Increase										
	0.00	54,420	0	0	54,420	0.00	56,053	0	0	56,053
DP 104 - Distance Learning Assistance										
	0.00	58,014	0	0	58,014	0.00	57,893	0	0	57,893
Total Other Present Law Adjustments										
	0.00	\$112,434	\$0	\$0	\$112,434	0.00	\$113,946	\$0	\$0	\$113,946
Grand Total All Present Law Adjustments					\$97,746					\$58,161

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal service costs.

LFD ISSUE Fixed Costs Overstated – The executive budget includes a net of \$12,935 more fixed cost expense for insurance and messenger services than included on the Office of Budget and Program Planning fixed cost schedule for the 2011 biennium. These costs are funded primarily from state general fund (approximately 83 percent) in this agency. The legislature may want to reduce the fixed costs and related funding to the amount specified on the fixed cost schedule for the 2011 biennium.
 Option 1 – Reduce costs and funding by \$12,935 for the 2011 biennium (approximately \$10,700 general fund, \$2,100 federal fund authority, and \$135 proprietary funds).
 Option 2 – Take no action

DP 103 - Rent Increase - The Office of the Commissioner of Higher Education plans to move to a permanent location in FY 09. The executive budget includes an additional \$110,473 of general fund in the 2011 biennium for increased rent. Since the move will occur during FY 2009, the increased rent was not paid in the base year and therefore is requested as a present law adjustment. Programs 2, 6, and 8 are allocated rent increases to be paid from non-general fund sources.

LFD COMMENT The 2007 Legislature anticipated a large rent increase in this program during FY 2008 and FY 2009 due to the agency's anticipated move and provided a restricted appropriation for the increased expense. At the time this narrative was prepared (early November 2008), the agency did not have a final lease for the space they are moving into during FY 2009. The legislature may wish to request the agency provide the final lease and lease costs prior to finalizing the appropriation of this program for the 2011 biennium.

DP 104 - Distance Learning Assistance - The executive budget restores the distance learning budget to a total of \$225,000 per year, the same amount approved for base funding by the 2007 Legislature, to allow the program to continue to work with the campuses on a coordinated, system-wide approach to distance learning.

LFD COMMENT This initiative was monitored during the 2009 biennium by the Legislative Finance Committee and the Postsecondary Education Policy and Budget Subcommittee. For a discussion of this initiative, see the agency overview narrative.

New Proposals

New Proposals										
-----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - Information Resources, Planning, and Communication										
01	2.00	204,939	0	0	204,939	2.00	204,972	0	0	204,972
Total	2.00	\$204,939	\$0	\$0	\$204,939	2.00	\$204,972	\$0	\$0	\$204,972

DP 102 - Information Resources, Planning, and Communication - The executive budget includes approximately \$409,911 general fund for two positions, the Associate Commissioner for Planning and Policy and a public information

officer, that were created by the Board of Regents in 2004 and have been funded from general fund transferred from the Appropriation Distribution Program for several years.

**LFD
COMMENT**

In the 2009 biennium, the Board of Regents authorized a transfer of \$451,342 general fund from the Appropriation Distribution Program to the Administration Program for this purpose. Because the positions were designated as modified, or temporary, positions, the general fund used to pay these positions was not captured in the base budget.

Some of the primary functions of these positions include:

- o Development of a strategic plan for the university system that reflects regents priorities and the university system's emphasis on access and affordability, workforce development, and efficiency
- o Design, maintenance, and utilization of centralized data system to measure and track student success and transferability of credits, financial aid awarded to students, budget and financial records, and human resources
- o Coordination of accountability efforts and relations with the legislature, executive branch, and public through consistent and responsive communications

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	98,580	116,628	116,437	116,449	215,208	232,886	17,678	8.21%
Operating Expenses	38,660	39,753	48,658	46,698	78,413	95,356	16,943	21.61%
Local Assistance	116,000	120,000	125,000	130,000	236,000	255,000	19,000	8.05%
Grants	10,995,694	12,930,086	13,149,666	13,673,540	23,925,780	26,823,206	2,897,426	12.11%
Total Costs	\$11,248,934	\$13,206,467	\$13,439,761	\$13,966,687	\$24,455,401	\$27,406,448	\$2,951,047	12.07%
General Fund	10,956,182	12,833,387	13,143,849	13,672,726	23,789,569	26,816,575	3,027,006	12.72%
State Special	99,446	100,556	102,606	100,655	200,002	203,261	3,259	1.63%
Federal Special	193,306	272,524	193,306	193,306	465,830	386,612	(79,218)	(17.01%)
Total Funds	\$11,248,934	\$13,206,467	\$13,439,761	\$13,966,687	\$24,455,401	\$27,406,448	\$2,951,047	12.07%

Program Description

There are three distinct components to the Student Assistance Program (governed by Title 20, Chapters 25 and 26, MCA):

- The grant, loan, and work-study programs consist of financial need-based criteria for student awards as well as the merit-based component of the Governor's Postsecondary Scholarship Program, as follows:
 - The federal Leveraging Educational Assistance Partnership (LEAP) grant is matched by the state Baker grant program
 - The federal Supplemental Leveraging Educational Assistance Partnership (SLEAP) grant is matched by the Montana Higher Education Grant (MHEG) program
 - The federal Supplemental Educational Opportunity Grant (SEOG) grant program sends funds directly to MUS campuses and is matched by state general fund
 - The Perkins Federal Loan program sends funds directly to MUS campuses and is matched by state general fund
 - The Work Study Program is funded 70 percent from general fund with a 30 percent employer match
 - The Governor's Postsecondary Scholarship Program has both a need-based and merit component, both of which are supported entirely by general fund (20-26-601, MCA)
- The interstate student exchange and assistance programs have no financial need-based criteria for participants, and are entirely general fund programs that include:
 - The Western Undergraduate Exchange/Western Regional Graduate Program allows students from 14 participating states to enroll in designated postsecondary schools and pay reduced tuition rates that are less than the non-resident rate. These programs are part of the MUS membership agreement with the Western Interstate Commission for Higher Education (WICHE)
 - The WICHE Professional Student Exchange Program enables Montana students to enroll in 8 professional graduate studies programs in 13 participating states at reduced tuition rates as Montana pays negotiated support fees to subsidize students, who pay reduced tuition
 - The Washington, Wyoming, Alaska, Montana, and Idaho Cooperative Program (WWAMI) enables Montana students to attend the University of Washington School of Medicine at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students
 - The Minnesota Dental Program enables Montana students to attend the University of Minnesota Dental School at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students
- The Quality Educator Loan Assistance Program, which was created in SB 2 passed by the May 2007 Special Session with the objective of attracting public school teachers to underserved Montana school districts by providing state funding assistance to help those teachers pay outstanding student loans

- A qualifying educator is eligible for loan assistance for a maximum of four years and the annual maximum repayment amount is \$3,000
- This program is funded entirely from state general fund

Program Highlights

Student Assistance Program Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The executive budget includes three significant increases to general fund in the 2011 biennium as follows: <ul style="list-style-type: none"> • \$1.1 million to fund increases of student support fees for the WICHE/WWAMI/MN Dental professional student program • \$1.0 million to continue the Governor's Scholarship Program at the level authorized for FY 2009 • \$1.1 million to fully fund the Quality Educator Loan Assistance Program 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ The legislature may want to consider funding additional dental slots in WICHE, as recommended by the interim legislative Postsecondary Education Policy and Budget Subcommittee resulting from an interim study, but excluded in the executive budget 	

Program Narrative

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Please refer to the agency narrative for a discussion of the identified significant goals for the 2011 biennium.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor. Funding for student assistance programs is included in the lump sum appropriation for the Montana University System (MUS).

Program Funding Table Student Assistance Program						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 10,956,182	97.4%	\$ 13,143,849	97.8%	\$ 13,672,726	97.9%
01100 General Fund	10,956,182	97.4%	13,143,849	97.8%	13,672,726	97.9%
02000 Total State Special Funds	99,446	0.9%	102,606	0.8%	100,655	0.7%
02846 Family Ed Savings Admin Fee	99,446	0.9%	102,606	0.8%	100,655	0.7%
03000 Total Federal Special Funds	193,306	1.7%	193,306	1.4%	193,306	1.4%
03164 State Student Incentive Grant	193,306	1.7%	193,306	1.4%	193,306	1.4%
Grand Total	\$ 11,248,934	100.0%	\$ 13,439,761	100.0%	\$ 13,966,687	100.0%

The Student Assistance Program is primary general fund, with additional federal matching funds, as well as some state special revenue to administer the college savings program.

Federal funds are granted to the states as an incentive and are required to be matched by general fund dollars. In both LEAP and SLEAP, state general fund appropriations (the MHEG and Baker programs) far exceed the one-to-one match

requirement, as federal appropriations have not kept pace with state appropriations for these two programs. Both the Governor's Postsecondary Scholarship Program and the Quality Educator Loan Assistance Program are funded entirely from state general fund. The figure below illustrates the funding levels for each of these student assistance grant programs for the 2009 biennium and the proposed executive funding level for the 2011 biennium.

Student Assistance - State/Federal Grant and Work Study Programs						
Fiscal 2008 through 2011						
Grant Program	Actual FY 2008	Op Plan FY 2009	Exec. Budget FY 2010	Exec. Budget FY 2011	Biennial \$ Change	Biennial % Change
Funded with State Funds:						
Baker Grants	\$2,018,775	\$2,018,775	\$2,018,775	\$2,018,775	\$0	0.0%
MT Higher Education Grant (MHEG)	508,414	498,747	508,414	508,414	9,667	1.0%
SEOG *	506,338	516,005	506,338	506,338	(9,667)	-0.9%
Perkins Loan *	149,873	149,873	149,873	149,873	0	0.0%
State Work Study	862,989	862,989	862,989	862,989	0	0.0%
Governor's Postsecondary Scholarships	1,507,000	2,533,000	2,500,000	2,500,000	960,000	23.8%
Quality Educator Loan Assistance	307,280	676,175	900,000	1,200,000	1,116,545	113.5%
Subtotal State Funds	<u>\$5,860,669</u>	<u>\$7,255,564</u>	<u>\$7,446,389</u>	<u>\$7,746,389</u>	<u>\$2,076,545</u>	<u>15.8%</u>
Federal Matching Funds:						
SLEAP Grant Program (Baker Match)	109,309	173,303	\$109,309	\$109,309	(\$63,994)	
LEAP Grant Program (MHEG Match)	<u>83,997</u>	<u>99,221</u>	<u>\$83,997</u>	<u>\$83,997</u>	<u>(15,224)</u>	
Subtotal Federal Funds	<u>\$193,306</u>	<u>\$272,524</u>	<u>\$193,306</u>	<u>\$193,306</u>	<u>(\$79,218)</u>	<u>-17.0%</u>
Total Funds	<u>\$6,053,975</u>	<u>\$7,528,088</u>	<u>\$7,639,695</u>	<u>\$7,939,695</u>	<u>\$1,997,327</u>	<u>14.7%</u>

* Represents the state match. The federal matching funds are distributed directly to university campuses.

The WICHE/WWAMI/MN Dental programs are completely state general fund. Work-study is 70 percent general fund with a 30 percent employer match as employers also pay employee benefits. The employers' portion of the work-study program is not included in HB 2.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	10,956,182	10,956,182	21,912,364	81.71%	11,248,934	11,248,934	22,497,868	82.09%
Statewide PL Adjustments	(7,305)	(7,302)	(14,607)	(0.05%)	(15,029)	(15,003)	(30,032)	(0.11%)
Other PL Adjustments	2,194,972	2,723,846	4,918,818	18.34%	2,205,856	2,732,756	4,938,612	18.02%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$13,143,849	\$13,672,726	\$26,816,575		\$13,439,761	\$13,966,687	\$27,406,448	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				(10,625)					(10,612)	
Vacancy Savings				(3,518)					(3,519)	
Inflation/Deflation				92					106	
Fixed Costs				(978)					(978)	
Total Statewide Present Law Adjustments				(\$15,029)					(\$15,003)	
DP 200 - Rent Increase	0.00	0	884	0	884	0.00	0	910	0	910
DP 201 - WICHE/WWAMI/MN Dental	0.00	577,252	0	0	577,252	0.00	806,126	0	0	806,126
DP 202 - GSL Reimbursement	0.00	32,000	0	0	32,000	0.00	32,000	0	0	32,000
DP 203 - Governor's Postsecondary Scholarship Program	0.00	993,000	0	0	993,000	0.00	993,000	0	0	993,000
DP 204 - Quality Educator Loan Assistance Program	0.00	592,720	0	0	592,720	0.00	892,720	0	0	892,720
DP 206 - Montana Family Education Savings Plan	0.00	0	10,000	0	10,000	0.00	0	8,000	0	8,000
Total Other Present Law Adjustments										
	0.00	\$2,194,972	\$10,884	\$0	\$2,205,856	0.00	\$2,723,846	\$8,910	\$0	\$2,732,756
Grand Total All Present Law Adjustments				\$2,190,827						\$2,717,753

Program Personal Services Narrative

Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

DP 200 - Rent Increase - The executive budget would add \$1,794 state special revenue for an anticipated rent increase in the 2011 biennium. The state special revenue is from the Montana Family Education Savings Program.

DP 201 - WICHE/WWAMI/MN Dental - The executive budget would add \$1.4 million general fund in the 2011 biennium to fund continuing student slots at anticipated increased tuition levels for the WICHE, WWAMI and MN Dental professional student exchange programs. The table below illustrates the adjustment for each program:

WICHE/WWAMI/MN Dental Program						
Present Law Adjustments - 2011 Biennium Executive Budget (DP 201)						
	FY 2008	FY 2009	FY 2010	FY 2011	Present Law Adjustments	
	Actuals	Budgeted	Projected	Projected	FY 2010	FY 2011
WICHE Annual Dues	\$ 116,000	\$ 120,000	\$ 125,000	\$ 130,000	\$ 9,000	\$ 14,000
WICHE Student Support	1,911,300	1,976,600	2,137,767	2,227,833	226,467	316,533
WWAMI Student Support	2,906,819	3,115,581	3,240,204	3,369,812	333,385	462,993
MN Dental Student Support	123,600	170,400	132,000	136,200	8,400	12,600
Total	\$5,057,719	\$5,382,581	\$5,634,971	\$5,863,845	\$577,252	\$806,126

LFD COMMENT

The present law increase in the professional student interstate exchange programs (WICHE/WWAMI/MN Dental) is caused solely by rising tuition rates at participating universities. As tuition rates increase, state support fees paid on behalf of Montana students increase. For the 2011 biennium, state support fees increase an average of \$2,690 per student slot in FY 2010 and \$3,840 per student slot in FY 2011, as compared to base year FY 2008 fees. On the other hand, the number of slots for Montana students remains essentially the same (339 in the biennium), with no program expansion for additional students.

**LFD
COMMENT (CONT.)**

State support fees, based upon tuition rates, are negotiated by an interstate council upon which Montana is represented by the Commissioner of Higher Education and members of the legislature. Once negotiated and agreed upon, the legislature has no further control over these support fees so that any changes in expenditure levels in this program would require adjustments to the number of student slots that would be funded in the biennium.

The total costs for these programs are detailed in the following figure, which illustrates the number of student slots by profession and the state support fee for each.

2011 Biennium Executive Budget Proposal
WICHE/WWAMI/MINNESOTA Dental Programs
Office of the Commissioner of Higher Education

PROGRAM	FY 2010						FY 2011					
	Support Fee	New (1st Year) Students	Cost	Continuing Students	Cost	Total	Support Fee	New (1st Year) Students	Cost	Continuing Students	Cost	Total
WICHE												
Administrative Dues			\$125,000			\$125,000			\$130,000			\$130,000
Student Assistance:												
Medicine	\$28,300	6	\$169,800	19	\$537,700	\$707,500	\$29,300	6	\$175,800	19	\$556,700	\$732,500
Osteopathic Medicine	18,800	2	37,600	5	94,000	131,600	19,400	1	19,400	6	116,400	135,800
Dentistry	22,000	1	22,000	8	176,000	198,000	22,700	1	22,700	8	181,600	204,300
Veterinary Medicine	28,100	9	252,900	27	758,700	1,011,600	29,100	9	261,900	27	785,700	1,047,600
Podiatry	13,100	1	13,100	0	0	13,100	13,500	0	0	1	13,500	13,500
Optometry	15,100	1	15,100	2	30,200	45,300	15,600	1	15,600	3	46,800	62,400
Occupational Therapy	11,500	1	11,500	1	19,167	30,667	11,900	1	11,900	1	19,833	31,733
(Includes 1 @ clinical rate \$19,167 for FY 10 and \$19,833 for FY 11)												
Subtotal (WICHE Student Support)		21	\$522,000	62	\$1,615,767	\$2,137,767		19	\$507,300	65	\$1,720,533	\$2,227,833
TOTAL WICHE (Including Dues)						\$2,262,767						\$2,357,833
MINNESOTA DENTAL	22,000	2	44,000	4	88,000	132,000	22,700	2	45,400	4	90,800	136,200
WWAMI	54,003	20	0	60	3,240,204	3,240,204	56,164	20	0	60	3,369,812	3,369,812
TOTAL WICHE/WWAMI/MN		<u>43</u>	<u>\$691,000</u>	<u>126</u>	<u>\$4,943,971</u>	<u>\$5,634,971</u>		<u>41</u>	<u>\$682,700</u>	<u>129</u>	<u>\$5,181,145</u>	<u>\$5,863,845</u>

Notes:

- 1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two clinical rotations. (\$19,167 for FY 2010; \$19,833 for FY 2011)
- 2) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.

**LFD
ISSUE****Interim Legislative Committee Recommends Adding 5 Dental Slots**

The Postsecondary Education Policy and Budget Subcommittee (PEPB) of the Interim Education and Local Government Committee (ELG) undertook the study requested in HJR 22, passed by the 2007 Legislature. This study resolution requested an interim committee study repayment programs and other incentives to support access to dental care in the state, with an emphasis on rural areas. One of the recommendations resulting from the study that received unanimous support from the ELG was to expand the number of dental slots in the professional student exchange program by five slots per year. This would increase the number of dental slots to 20 each year. The additional general fund cost in the 2011 biennium for five new dental slots each year would be \$337,000. Because the dental academic program is typically four years, it would take until FY 2013 to fully implement this dental expansion. The additional general fund cost for five new dental slots, once the slots are completely filled, would be \$908,000 for the biennium (assuming support fees at the FY 2011 rate of \$22,700).

Although the ELG urged the Governor and the Board of Regents to include a request for funding five additional dental slots, neither the executive budget nor the agency request included the additional funding.

The PEPB and ELG also supported study recommendations for other mechanisms to improve dental care in rural areas, including creation of a dental student loan repayment program administered through OCHE and creation of a dental clinic extension program administered through MSU Bozeman. These recommendations would require specific legislation and are contained in a committee bill (LC 0152) that will be introduced in the 2009 session.

DP 202 - GSL Reimbursement - The executive budget would add \$2,200 general fund in the 2011 biennium to reimburse the Guaranteed Student Loan Program (GSL) at the same amount appropriated for this purpose in FY 2009. The reimbursement to GSL is for administrative support provided by that program for a number of student assistance programs, including the High School Honors Fee Waiver, the Governor's Postsecondary Scholarship Program, the Montana Higher Education Grant, the Baker Grant, and other programs.

DP 203 - Governor's Postsecondary Scholarship Program - The executive budget would add \$2.0 million general fund to fund existing students currently receiving scholarships in this program and to maintain the same level of funding from FY 2009.

**LFD
COMMENT**

The Governor's Postsecondary Scholarship Program was created in the 2005 session and students began receiving scholarships in the 2005-2006 academic year. Scholarships are renewable and may be used at both two-year and four-year institutions. Consequently, it has taken four years (through FY 2009) to "fill the pipeline" of scholarship recipients. Since the present law adjustment is calculated from the actual amount spent in FY 2008, the additional amount for the fourth year of the pipeline is included in the cost of this decision package.

DP 204 - Quality Educator Loan Assistance Program - The executive budget would add \$1.5 million general fund for this loan assistance program that was established in SB 2 by the May 2007 Special Session. This program provides loan assistance to qualified public school teachers in underserved Montana school districts for a maximum of \$3,000 a year for up to four years. The executive budget also includes a 0.50 FTE to assist in the administration of the program.

**LFD
COMMENT**

The executive budget proposes to operate the program at the statutory maximum of \$3,000 per recipient per year up to four years. The executive proposes to assist 100 new teachers each year for four years, so that the "plateau" number of teachers served would be 400 teachers, at an annual cost of \$1.2 million. Since this program began in FY 2008, the base year costs reflect only the first year of the program. By FY 2011, the program would be fully ramped up to assist 400 teachers.

**LFD
ISSUE**

Half-time position may not be needed

The agency-provided justification for this present law adjustment states that the 0.50 FTE position that was authorized to administer this program is not needed as the job duties have been allocated to two existing positions in the agency. The biennial amount of general fund included in the executive budget for this position is \$60,981. The legislature may want to consider eliminating this position and the associated funding or it may want to eliminate the position and redirect the funding towards additional teacher loan assistance.

DP 206 - Montana Family Education Savings Plan - The executive budget would add \$18,000 state special revenue funding through this decision package for anticipated cost increases relating to hiring a new third-party program manager for the Montana Family Education Savings Plan. The Montana 529 Education Savings Plan administrative costs are 100 percent funded by an annual administrative fee charged to non-resident investors.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Personal Services	14,666	16,336	0	0	31,002	0	(31,002)	(100.00%)
Operating Expenses	1,936	2,364	2,003	2,009	4,300	4,012	(288)	(6.70%)
Grants	221,786	522,913	221,786	221,786	744,699	443,572	(301,127)	(40.44%)
Total Costs	\$238,388	\$541,613	\$223,789	\$223,795	\$780,001	\$447,584	(\$332,417)	(42.62%)
Federal Special	238,388	541,613	223,789	223,795	780,001	447,584	(332,417)	(42.62%)
Total Funds	\$238,388	\$541,613	\$223,789	\$223,795	\$780,001	\$447,584	(\$332,417)	(42.62%)

Program Description

Improving Teacher Quality is a federally funded grant program providing awards to fund partnerships between higher education and high-need K-12 school districts in order to provide professional development and teacher training that improves teaching methods and teaching skills in the classroom.

As part of the federal No Child Left Behind program, Improving Teacher Quality targets teacher training in “high-need school districts”, defined as those where:

- o Not less than 20 percent of the students are from families with household income that is below the poverty line; and
- o A high percentage of teachers are without degrees in the academic areas and/or grade levels that they are teaching, or who hold less than standard teacher certification from OPI.

The federal grant requires that a partnership be developed that includes a postsecondary school of education, a postsecondary college of arts and sciences, and at least one “high need school district.” In the past year, Improving Teacher Quality grants have provided skills training for K-12 teachers in Montana through educational partnerships with the following university institutions:

- o MSU Billings
- o UM Missoula and UM Missoula COT
- o Great Falls College of Technology and MSU Northern
- o MSU Bozeman
- o UM Western

And the following K-12 Curriculum Cooperatives:

- o The Montana Small Schools Alliance
- o The Montana North Central Education Service Region

Program Highlights

Improving Teacher Quality Program Major Budget Highlights	
◆	The executive budget reduces federal appropriation authority 43 percent over the 2011 biennium

Program Narrative

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Please refer to the agency narrative for a discussion of the identified significant goals for the 2011 biennium.

Funding

The following table shows program funding, by source, for the 2009 biennium adjusted base and the 2011 biennium as recommended by the Governor. Funding is entirely from federal revenue as described above. The executive budget would reduce the appropriation authority to spend the federal funds almost 43 percent in the 2011 biennium compared to the 2009 biennium.

Program Funding Table Improving Teacher Quality						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
03000 Total Federal Special Funds	\$ 238,388	100.0%	\$ 223,789	100.0%	\$ 223,795	100.0%
03183 Ed For Econ Security Grant	238,388	100.0%	223,789	100.0%	223,795	100.0%
Grand Total	\$ 238,388	100.0%	\$ 223,789	100.0%	\$ 223,795	100.0%

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	238,388	238,388	476,776	106.52%
Statewide PL Adjustments	0	0	0	0.00%	(14,599)	(14,593)	(29,192)	(6.52%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$223,789	\$223,795	\$447,584	

LFD COMMENT

Personal Services Statewide Present Law Adjustment

All personal services expenditures for the Improving Teacher Quality program are backed out of the FY 2008 base budget for each year of the 2011 biennium as the staff support for this program is provided in the OCHE Administration program. The personal services costs are then charged against the federal Improving Teacher Quality grant.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2010-----					-----Fiscal 2011-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(14,666)					(14,666)
Inflation/Deflation				67					73
Total Statewide Present Law Adjustments				(\$14,599)					(\$14,593)
Grand Total All Present Law Adjustments				(\$14,599)					(\$14,593)

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Local Assistance	8,710,093	9,420,368	9,425,642	9,515,684	18,130,461	18,941,326	810,865	4.47%
Total Costs	\$8,710,093	\$9,420,368	\$9,425,642	\$9,515,684	\$18,130,461	\$18,941,326	\$810,865	4.47%
General Fund	8,710,093	9,420,368	9,425,642	9,515,684	18,130,461	18,941,326	810,865	4.47%
Total Funds	\$8,710,093	\$9,420,368	\$9,425,642	\$9,515,684	\$18,130,461	\$18,941,326	\$810,865	4.47%

Program Description

The Community College Assistance program distributes funds appropriated by the legislature to support Montana's three community colleges:

- o Dawson Community College located in Glendive
- o Flathead Valley Community College located in Kalispell and Libby
- o Miles Community College located in Glendive

Each community college district has an elected board of trustees who have governance authority over the college, but the trustees are subject to the supervision of the Board of Regents, as directed by Title 20, Chapter 15, MCA.

The funding formula and methodology for the state general fund appropriation to the community colleges is outlined in statute at 20-15-312, MCA. The general operating budgets of the community colleges are funded from a state general fund appropriation, student tuition and fees, a mandatory property tax levy, an optional voted levy, and other miscellaneous revenue funds. Only the state general fund appropriation is appropriated in HB 2.

Program Highlights

Community College Assistance Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The executive recommends stable funding ◆ The executive uses "base plus" budget approach rather than statutory funding formula <ul style="list-style-type: none"> • Resident enrollment is projected to increase 3.7 percent over the 2011 biennium • The executive recommends no resident tuition rate increases • The executive budget is not FTE-driven, so no enrollment reversion is required for the 2011 biennium 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Bitterroot Valley Community College will need a legislative appropriation if the legislature passes the joint resolution forming the new community college district ◆ The executive uses a different funding methodology than the methodology required in statute 	

Program Narrative

Statutory Funding Formula

The general fund appropriation level is determined, as defined by statute, by the three-factor funding formula that is a calculation of the cost of education, the resident student enrollment level, and the state percent share of funding that is determined by the legislature as a matter of public policy.

This formula is stated mathematically and the factors are defined as follows:

$$[(\text{Projected Student Enrollment} \times \text{Variable Cost of Education per Student}) + \text{Fixed Cost of Education}] \times \text{State Percent Share} = \underline{\text{State General Fund Budget}}$$

- Projected Student Enrollment -- the aggregated FTE count that the three colleges project for each year of the proposed biennial budget
- Variable Cost of Education per Student -- the total variable costs for the base year divided by the actual FTE student enrollment for the base year (both derived from base-year CHE 201 form)
- Fixed Cost of Education -- the total fixed costs for the base year (derived from base-year CHE 201 form)
- State Percent Share -- the percent of the CHE 201 derived fixed + variable costs calculation that the legislature decides, as a matter of public policy, to support with a state appropriation. The state percent share factor is the mechanism through which the legislature exercises public policy in this formula, as the percent level established is purely a matter of the public policy decision the legislature makes based upon available state revenue and the amount of funding the legislature determines that state government should support Montana resident students attending community colleges

The total cost of education is rebased each biennium from the actual base year expenditures reported by the community colleges in the annual operating budgets submitted to and approved by the Montana Board of Regents. These base year expenditures are adjusted for one-time-only expenditures, such as the additional \$450,000 annual appropriation approved by the 2007 Legislature for the 2009 biennium.

Using this funding formula, the community college resident student enrollment projections for 2,219 FTE in both FY 2010 and FY 2011, the FY 2008 base year actual adjusted expenditures that establish a variable cost of education per FTE student at \$2,183, and a total fixed cost of education at \$14.4 million, the state appropriation for community college assistance is \$19.0 million in the 2011 biennium as the table below illustrates:

Community College Assistance Program - Calculation of General Fund Appropriation for the 2011 Biennium										
Using Statutory Funding Formula										
Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio										
Fiscal Year 2010					Fiscal Year 2011				Total Biennial Approp.	
Budget Item Factors	Dawson	Flathead Valley	Miles	Total	Dawson	Flathead Valley	Miles	Total		
Projected Resident Student FTE	372	1,435	412	2,219	372	1,435	412	2,219		
Fixed Cost of Education	\$2,383,292	\$8,180,758	\$3,853,788	\$14,417,838	\$2,383,292	\$8,180,758	\$3,853,788	\$14,417,838		
Variable Cost of Education per FTE	\$2,183	\$2,183	\$2,183	\$2,183	\$2,183	\$2,183	\$2,183	\$2,183		
State % Share of Cost of Education	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%		
Calculated Total Funding Budget	<u>\$1,575,316</u>	<u>\$5,577,488</u>	<u>\$2,343,320</u>	<u>\$9,496,124</u>	<u>\$1,575,316</u>	<u>\$5,577,488</u>	<u>\$2,343,320</u>	<u>\$9,496,124</u>	<u>\$18,992,248</u>	
DP 401 - Legislative Audit **	\$13,040	\$15,893	\$11,818	\$40,751					\$40,751	
Total General Fund Budget	<u>\$1,588,356</u>	<u>\$5,593,381</u>	<u>\$2,355,138</u>	<u>\$9,536,875</u>	<u>\$1,575,316</u>	<u>\$5,577,488</u>	<u>\$2,343,320</u>	<u>\$9,496,124</u>	<u>\$19,032,999</u>	

This total compares to a 2009 biennial total of \$18.1 million.

Comparison to Executive Budget Recommendation

Using the data and assumptions noted above, the legislative funding formula generates a biennial general fund appropriation that exceeds the executive budget recommendation by approximately \$92,000, or less than one-half of one percent.

The legislative funding formula is student FTE-driven. Therefore, the enrollment reversion requirements included in Section 17-7-142, MCA would apply and appropriate language specifying the variable cost of education per FTE would need to be added to the general appropriations act.

Public Policy

The public policy choice for the legislature is to establish the state share percentage it determines is appropriate based upon available state revenue and the amount of funding the legislature determines that state government should support Montana resident students attending community colleges. Using the fiscal and student FTE data in the funding formula for the 2011 biennium, each one percent change in state share impacts the calculated biennial general fund appropriation by \$385,000.

LFD COMMENT

Executive Budget Uses Different Budget Methodology

The executive developed its community college assistance funding proposal using a “base + inflation” methodology (similar to the Montana University System educational units and public service agencies) rather than the statutory formula.

The executive projected the total cost of education for the 2011 biennium by starting with base year actual adjusted expenditures reported by the community colleges in the annual operating budgets submitted to and approved by the Montana Board of Regents. Inflationary increases are included for operating expenses and merit/market adjustments are included for personal services costs. The executive budget estimates the total cost of education (general operating budgets) for the community colleges in the 2011 biennium will be \$42.7 million, about a 5 percent increase from the 2009 biennium.

The general operating budgets of the community colleges are funded from state general fund, student tuition and fees, local tax and non-levy revenue support, and other miscellaneous revenues. To estimate the state general fund appropriation, the executive budget projected revenue from non-state sources first and balanced the revenue requirements with general fund. In estimating the non-state revenue, the executive assumed:

- Miscellaneous and local tax and non-levy revenue would increase 1.6 percent each year of the 2011 biennium from the FY 2009 projection
- Resident tuition rates and tuition waivers would not increase
- Non-resident tuition revenue would increase about 1 percent in FY 2010 and 1.1 percent in FY 2011

The general fund appropriation recommended by the executive for the community colleges in the 2011 biennium, totaling \$18.9 million, is shown by community college on the table below

Community College Assistance Program (04) -- 2011 Biennium Executive Budget Proposal									
	Base FY 2008	Approp FY 2009	State Share Adjustment & Type (PL/NP) FY 2010	Executive Budget FY 2010	State Share Adjustment & Type (PL/NP) FY 2011	Executive Budget FY 2011	2009 Biennium Total	2011 Biennium Total	Biennial Percent Change
Dawson Community College	\$1,561,351	\$1,744,062	\$190,839 PL	\$1,752,190	\$195,073 PL	\$1,756,424	\$3,305,413	\$3,508,614	6.15%
Flathead Valley Community College	5,028,763	5,360,097	341,129 PL	5,369,892	415,036 PL	5,443,799	\$10,388,860	10,813,691	4.09%
Miles Community College	2,119,979	2,316,209	183,581 PL	2,303,560	195,482 PL	2,315,461	\$4,436,188	4,619,021	4.12%
Grand Total Program 04	<u>\$8,710,093</u>	<u>\$9,420,368</u>	<u>\$715,549</u>	<u>\$9,425,642</u>	<u>\$805,591</u>	<u>\$9,515,684</u>	<u>\$18,130,461</u>	<u>\$18,941,326</u>	4.47%

Source: SAHBRS data for Base Year Expenditures and the Executive 2011 Biennium Budget

**LFD
ISSUE**

Executive Budget includes pay plan costs in present law budget

The executive budget includes personal services costs that in previous biennia have been funded via the pay plan bill. For the 2011 biennium, the executive includes approximately \$98,400 general fund for employee merit and market salary adjustments. In the 2009 biennium, the legislature included funding for merit and market adjustments in the pay plan bill. The legislature may wish to discuss whether these costs for the university system should be budgeted in the same manner as other state agencies for the 2011 biennium, or if including these costs in the general appropriations act as recommended by the executive is acceptable.

**LFD
COMMENT**

The executive budget also includes a new proposal in the Montana Department of Labor and Industry budget, NP 102 – 21st Century Workforce, that would increase funds for workforce training at community colleges and enable quick response to rapid growth in high demand fields. The executive budget does not specify how much of this new proposal is earmarked for the community colleges.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table Community College Assistance						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 8,710,093	100.0%	\$ 9,425,642	100.0%	\$ 9,515,684	100.0%
01100 General Fund	8,710,093	100.0%	9,425,642	100.0%	9,515,684	100.0%
Grand Total	\$ 8,710,093	100.0%	\$ 9,425,642	100.0%	\$ 9,515,684	100.0%

The Community College Assistance program is funded entirely with general fund. The executive budget would increase the state appropriation for community colleges by 4.5 percent in the 2011 biennium from the 2009 biennium.

The community colleges use the higher education fund structure to account for revenues and expenditures, the same fund structure used by the educational units and higher education agencies. The state appropriation for the community colleges is a separate line item and is not part of the lump sum appropriation to the Montana University System educational units.

Enrollment Reversions

When the legislative appropriation for community colleges is established on the basis of an FTE-driven formula, as it was for the 2009 biennium, state statute requires that a portion of the legislative appropriation must be returned to the state if the community college does not meet the student FTE projections that were used to establish the appropriation. Section 17-7-142, MCA, allows the reversion to be based on the lower of the FTE resident enrollment projection and the actual FTE resident enrollment or the FTE resident enrollment projection and the prior three-year average FTE resident enrollment. HB 2 language further clarifies that the enrollment reversion calculation is a biennial calculation. The reversion, if any, is made at the end of the biennium.

Based upon resident FTE enrollment so far in the 2009 biennium, the Legislative Fiscal Division estimates that the total reversion for the 2009 biennium will be approximately \$360,000, or about 1.9 percent of the 2009 biennium legislative appropriation. The actual reversion amount, if any, will be calculated when the Spring Semester 2009 enrollments are reported.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	8,710,093	8,710,093	17,420,186	91.97%	8,710,093	8,710,093	17,420,186	91.97%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	715,549	805,591	1,521,140	8.03%	715,549	805,591	1,521,140	8.03%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$9,425,642	\$9,515,684	\$18,941,326		\$9,425,642	\$9,515,684	\$18,941,326	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 401 - Audit Costs	0.00	40,751	0	0	40,751	0.00	0	0	0	0
DP 403 - Increase Funding to Cover the Costs of Present Law	0.00	674,798	0	0	674,798	0.00	805,591	0	0	805,591
Total Other Present Law Adjustments	0.00	\$715,549	\$0	\$0	\$715,549	0.00	\$805,591	\$0	\$0	\$805,591
Grand Total All Present Law Adjustments					\$715,549					\$805,591

Program Personal Services Narrative

No personal services are appropriated in this program.

DP 401 - Audit Costs - The executive budget would fund about one-half of the \$81,000 legislative audit costs for contract audits of FVCC, MCC, and DCC in the 2011 biennium. The audit costs would be allocated to the community colleges in the same ratio as they were funded last biennium with 32 percent or \$13,040 to DCC; 39 percent or \$15,893 to FVCC and 29 percent or \$11,818 to MCC.

DP 403 - Increase Funding to Cover the Costs of Present Law - The executive recommends base-plus funding for the community colleges, similar to the MUS educational units and agencies. In building these budgets, the executive assumed growth rates for particular funding sources per the following: local contributions increasing at 1.6 percent for each year of the biennium; a non-resident tuition increase of approximately 1.0 percent in FY 2010 and 1.1 percent in FY 2011; and statutory local government levy increases (15-10-420, MCA) at 1.6 percent in each year of the biennium. Additionally, the executive budget would fund the total resident student share, assumes a 0 percent resident student tuition increase, and a 100 percent fixed cost, 0 percent variable cost funding model. Under these assumptions, the executive budget recommends total state share of funding of 44.3 percent in FY 2010 and 44.4 percent in FY 2011, compared to the state share of actual base year funding of 42.6 percent in FY 2008.

LFD COMMENT

Although the executive budget indicates it assumes a 0 percent resident student tuition increase, the executive has no authority to establish tuition rates. Tuition rates for the community colleges are established by the local board of trustees and approved by the Montana Board of Regents.

**LFD
ISSUE***Policy Choice Needed on Funding Methodology*

The legislative funding formula uses a state percent share of 49.3 percent each year of the 2011 biennium while the executive budget would result in the state share of funding at 44.3 percent in FY 2010 and 44.4 percent in FY 2011, yet the difference in total state funds in dollars is only \$92,000. This apparent discrepancy is attributable to the executive estimating a total budget (funded by state, local, and tuition dollars) for the 2011 biennium that assumes certain inflationary increases and merit/market salary increases, thereby estimating a larger overall budget.

The legislative funding formula uses actual expenditures from the base year as the cost of education and does not attempt to project inflationary and other cost increases for the 2011 biennium. When the formula is reapplied for the 2013 biennium, actual FY 2010 costs will be used which undoubtedly will include inflationary and pay increases (such as those funded separately in the pay plan bill) not contemplated by the formula. This biennial re-basing of the cost of education was the mechanism the legislature determined would meet the need for simplicity and transparency for this formula component.

Section 20-15-310, MCA, states that it is the intent of the legislature that all community college spending, other than from restricted funds, designated funds, or funds generated by an optional, voted levy, be governed by the provisions of this section of law and the state general appropriations act. This section of law requires the state general fund appropriation be determined with the legislative funding formula described in this narrative.

The legislature needs to determine which policies inherent in the alternative funding methodologies it wishes to adopt when it establishes the community colleges' state appropriation and whether these policies are consistent with the statutory funding formula requirements for the community colleges.

The policies inherent in the executive methodology are:

- o The cost of education should reflect actual base year costs and inflationary adjustments;
- o Enrollment levels do not impact costs; and
- o Non-state revenues are estimated first, then state appropriation requirements are calculated

The policies inherent in the legislative funding formula are

- o The cost of education should reflect actual base year costs which are rebased each biennium;
- o A portion of the community colleges' costs vary with the number of students served; and
- o The state share percentage is a legislative decision based upon available state revenue and the amount of funding the legislature determines that state government should support Montana resident students attending community colleges

**LFD
ISSUE***Legislature Facing Decision on Bitterroot Valley Community College District*

The 2009 Legislature will be hearing LC 0154, a joint resolution approving the establishment of the Bitterroot Valley Community College District in Ravalli County. This resolution was drafted upon the request of the Postsecondary Education Policy and Budget Subcommittee of the Education and Local Government Interim Committee, following the interim discussions with the district trustees-elect.

The Major Process Steps That Must be Achieved Before a New Community College District Can Operate

1. Title 20, Chapters 15 and 20 of the Montana Codes Annotated require the proposal for a new community college be presented to voters of the proposed community college district, and that the proposal pass.
2. Section 20-15-209, MCA requires that the Board of Regents certify the election results.
3. Section 20-15-209, MCA requires that the Board of Regents issue a recommendation to the legislature either for or against creation of a new community college district. This recommendation is non-binding.
4. The legislature passes a resolution authorizing the creation of a new community college district.
5. The legislature appropriates state funds for the new community college operation.

Status of Process to Establish Bitterroot Valley Community College District

1. Voters in the proposed Bitterroot Valley Community College district approved the proposal on May 8, 2007, with 52 percent for and 48 percent against the proposal.
2. The Board of Regents certified the election results on July 11, 2007.
3. The Board of Regents unanimously voted on December 4, 2008 to recommend to the 2009 Legislature that the proposed new community college district not be created. Additionally, the Board of Regents charged the Office of the Commissioner of Higher Education to work with the local community and consult with representatives from the PEPB to establish an innovative two-year education model in Ravalli County as an alternative to a new community college and to be prepared to discuss potential models with the 2009 Legislature.
4. The Postsecondary Education Policy and Budget Subcommittee approved a draft resolution approving formation of a new community college. This resolution, LC 0154, will be introduced in the 2009 Legislature.
5. Contingent upon passage of the resolution, the legislature could appropriate operational funds for the new community college during the 2009 session. This appropriation would likely be included in the general appropriations act (HB 2) for the 2011 biennium as well as the state pay plan bill (HB 13).

What is the Estimated State Cost for the Proposed Bitterroot Valley Community College?

The most recent cost estimates projected by the Bitterroot Valley Community College trustees-elect total \$4.0 million for the 2011 biennium, plus \$194,050 one-time-only costs to cover start-up costs incurred in FY 2009. If the legislature approves the resolution authorizing the formation of the new community college district, the total cost would be shared between the state, local community college district, and student tuition, similar to Montana's other community colleges.

Applying the legislative funding formula and the same assumptions used in the appropriation example presented earlier in this narrative, the state appropriation for the new community college would total \$1.8 million for the 2011 biennium. The \$194,050 one-time-only request and legislative audit costs would be in addition to the formula-generated amount.

Does the Executive Budget Include Funding for the Bitterroot Valley Community College?

The Bitterroot Valley Community College is not officially created unless and until the Montana Legislature approves the joint resolution creating formation of the community college district. Therefore, the executive budget did not include any funding recommendation for the Bitterroot Valley Community College.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year.

MUS Group Insurance -- Proposed Budget					
Budget Item	Actual Base	FY 2010 Adjustments	FY 2010 Total	FY 2011 Adjustments	FY 2011 Total
FTE					
61000 Personal Services	\$326,088	\$28,034	\$354,122	\$28,088	\$354,176
62000 Operating Expenses	4,386,848	273,674	4,660,522	273,889	4,660,737
67000 Benefits & Claims	<u>54,314,166</u>	<u>5,025,000</u>	<u>59,339,166</u>	<u>5,025,000</u>	<u>59,339,166</u>
Total Costs	<u>\$59,027,102</u>	<u>\$5,326,708</u>	<u>\$64,353,810</u>	<u>\$5,326,977</u>	<u>\$64,354,079</u>

Program Description

The Board of Regents, through the Office of the Commissioner of Higher Education (OCHE), provides faculty and staff with group benefits through the Montana University System (MUS) Group Insurance Program, which includes a flexible spending account option. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees and eligible dependents are offered medical, pharmacy, dental, vision, and group life insurance, as well as long-term disability benefits and long-term care benefits. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis.

Program Highlights

MUS Group Insurance Program Major Budget Highlights	
◆	The fund balance is being reduced about \$6.5 million in FY 2009 to adjust the reserves to the level determined by the program's actuary as necessary
◆	Medical cost inflation is expected to continue to exceed general inflation

Program Narrative

Revenues

Revenue in this program comes primarily from

- Employer-paid contribution toward insurance premiums
- Employee-paid contribution toward insurance premiums
- Employee payments to flexible spending accounts
- Interest earnings on the program fund

The program is intentionally reducing revenue in FY 2009, via a reduction in employee-paid premiums of about seven percent, as its reserves were higher than required to remain actuarially sound. Employee-paid premium rates will be reevaluated and amended as necessary prior to FY 2010.

Expenditures

Expenditures include administration of the program (with a total of 4.65 FTE in FY 2008), wellness program expense, claims management, and insurance claims payments. The agency expects claims to total approximately \$63.7 million each year of the 2011 biennium, up from \$58.2 million in FY 2008. The primary cost drivers impacting claims expense increases from the base year are medical provider cost increases (primarily cost shifts by hospitals and other medical

providers from Medicare/Medicare/uninsured clients) and increased utilization due to the increasing average age of insured covered in the plan.

Explanation of Rates

Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, the portion of these premiums paid by the state is statutorily established in 2-18-703, and the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the rates for the MUS Group Insurance Program mean the state contribution toward employee group benefits provided for in 2-18-703, and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

Rates are established and adjusted to maintain the MUS Group Insurance Program on an actuarially sound basis.

The following table shows historical and anticipated future sources and uses of funds for the operation of the enterprise fund that finances the MUS Group Health Insurance program.

2011 Biennium Report on Internal Service and Enterprise Funds - MUS Group Insurance ³				
Budget Item	Actual FY 2008	Budgeted FY 2009	Projected FY 2010	Projected FY 2011
Beginning Working Capital Balance	<u>\$23,914,337</u>	<u>\$31,226,895</u>	<u>\$21,816,189</u>	<u>\$21,816,189</u>
Operating Revenues				
Premiums/Contributions	\$62,666,946	\$66,230,319	\$65,852,394	\$65,852,686
Other operating revenues ¹	<u>3,696,961</u>	<u>3,460,000</u>	<u>2,975,000</u>	<u>2,975,000</u>
Total Operating Revenues	\$66,363,907	\$69,690,319	\$68,827,394	\$68,827,686
Operating Expenses	<u>\$59,051,349</u>	<u>\$79,101,025</u>	<u>\$68,827,394</u>	<u>\$68,827,686</u>
Operating Gain (Loss)	<u>\$7,312,558</u>	<u>(\$9,410,706)</u>	<u>\$0</u>	<u>\$0</u>
Other sources (uses) of operating funds ²	\$0			
Prior period adjustments and accounting changes	<u>\$0</u>			
Ending Working Capital Balance	<u>\$31,226,895</u>	<u>\$21,816,189</u>	<u>\$21,816,189</u>	<u>\$21,816,189</u>
1 - Other operating revenues are from interest earned on account balance and other revenue				
2 - Other sources (uses) are from gain (loss) on sale of fixed assets				
3-Summarizes information provided to OBPP Fund 06010-CHE Wellness, Fund 06008-Group Insurance Program				

Funding

The MUS Group Insurance Program is funded entirely with enterprise type proprietary funds. The legislature does not appropriate these funds. However, the program is included in the executive budget and the information contained in this section of the narrative is intended to meet the statutory requirements for a report containing the financial status of enterprise type proprietary funds.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

MUS Group Insurance - Present Law Adjustments				
DP #/Name	FY 2010		FY 2011	
	FTE	Costs	FTE	Costs
PL 5000 Group Health Insurance	<u>0.00</u>	<u>\$5,725,000</u>	<u>0.00</u>	<u>\$5,725,000</u>
Total Present Law	<u>0.00</u>	<u>\$5,725,000</u>	<u>0.00</u>	<u>\$5,725,000</u>

PL5000 Group Health Insurance-- The executive budget increases estimated claims payments by \$5.5 million, and consulting and professional services by \$275,000, each year of the 2011 biennium from the amount expended in FY 2008.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	19.95	19.95	19.95	19.95	19.95	19.95	0.00	0.00%
Personal Services	758,599	997,062	1,014,148	1,014,492	1,755,661	2,028,640	272,979	15.55%
Operating Expenses	943,427	982,529	961,657	964,855	1,925,956	1,926,512	556	0.03%
Grants	915,547	2,783,424	4,119,453	3,000,000	3,698,971	7,119,453	3,420,482	92.47%
Transfers	900,000	900,000	900,000	900,000	1,800,000	1,800,000	0	0.00%
Total Costs	\$3,517,573	\$5,663,015	\$6,995,258	\$5,879,347	\$9,180,588	\$12,874,605	\$3,694,017	40.24%
General Fund	63,005	84,831	73,321	73,366	147,836	146,687	(1,149)	(0.78%)
State Special	0	0	0	0	0	0	0	n/a
Federal Special	3,454,568	5,578,184	6,921,937	5,805,981	9,032,752	12,727,918	3,695,166	40.91%
Total Funds	\$3,517,573	\$5,663,015	\$6,995,258	\$5,879,347	\$9,180,588	\$12,874,605	\$3,694,017	40.24%

Program Description

Educational Outreach & Diversity is primarily a federally funded program intended to decrease the dropout rate of low-income and at-risk students at the secondary school level, and to increase their enrollment in postsecondary education. The Educational Outreach & Diversity program has three components providing services to the target populations:

- o Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) is an early intervention and scholarship program that provides mentoring, counseling and outreach to build academic success that will lead to postsecondary education enrollment and achievement. The program provides these services to an entire cohort of students at participating schools starting in seventh grade, and the program services follow that cohort through high school completion.
- o Montana Educational Talent Search (METS) creates a long-term academic contract with middle school students that subsequently provide academic support, skills building, and counseling to encourage the planning, preparation and pursuit of a postsecondary education.
- o American Indian/Minority Achievement (AIMA) is responsible for American Indian and minority recruitment and retention in the university system, oversight for the campus diversity plans, and implementation of Indian Education for All programs in the university system. An overall objective of the program is to work with the campuses of the MUS in order to increase recruitment, enrollment, and graduation rates of American Indian and other minority students.

Program Highlights

Educational Outreach & Diversity Program Major Budget Highlights	
◆	Federal GEAR-UP grant expenditures are projected to nearly double in the 2011 biennium, totaling \$7.1 million

Program Narrative

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Please refer to the agency narrative for a discussion of the identified significant goals for the 2011 biennium.

Funding

The following table shows program funding, by source, for the 2009 biennium adjusted base and the 2011 biennium as recommended by the Governor.

Program Funding Table						
Educational Outreach & Diversity						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 63,005	1.8%	\$ 73,321	1.0%	\$ 73,366	1.2%
01100 General Fund	63,005	1.8%	73,321	1.0%	73,366	1.2%
03000 Total Federal Special Funds	3,454,568	98.2%	6,921,937	99.0%	5,805,981	98.8%
03042 2Nd Gear Up Grant	2,513,614	71.5%	5,733,269	82.0%	4,616,733	78.5%
03411 Gear Up Trio Scholarship	364,906	10.4%	499,958	7.1%	499,953	8.5%
03806 Talent Search	576,048	16.4%	688,710	9.8%	689,295	11.7%
Grand Total	\$ 3,517,573	100.0%	\$ 6,995,258	100.0%	\$ 5,879,347	100.0%

Overall, the budget would increase 40.2 percent due primarily to increased budgeted grant expenditures, which would nearly double in the 2011 biennium from the 2009 biennium.

GEAR-UP is funded by a federal grant that requires a 50 percent non-federal fund match, which is provided through allowable in-kind services. The METS program is funded 100 percent from federal funds, with no match requirement. The American Indian/Minority Achievement program is funded 100 percent from state general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	63,005	63,005	126,010	85.90%	3,517,573	3,517,573	7,035,146	54.64%
Statewide PL Adjustments	10,316	10,361	20,677	14.10%	260,584	263,730	524,314	4.07%
Other PL Adjustments	0	0	0	0.00%	3,217,101	2,098,044	5,315,145	41.28%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$73,321	\$73,366	\$146,687		\$6,995,258	\$5,879,347	\$12,874,605	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----					-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					297,804					298,163
Vacancy Savings					(42,255)					(42,270)
Inflation/Deflation					6,091					8,851
Fixed Costs					(1,056)					(1,014)
Total Statewide Present Law Adjustments					\$260,584					\$263,730
DP 600 - Rent Increase	0.00	0	0	13,195	13,195	0.00	0	0	13,591	13,591
DP 601 - Additional Federal Authority for GEAR UP	0.00	0	0	3,203,906	3,203,906	0.00	0	0	2,084,453	2,084,453
Total Other Present Law Adjustments	0.00	\$0	\$0	\$3,217,101	\$3,217,101	0.00	\$0	\$0	\$2,098,044	\$2,098,044
Grand Total All Present Law Adjustments					\$3,477,685					\$2,361,774

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

LFD COMMENT

The statewide present law personal services adjustment includes the implementation and annualization of the 2009 biennium pay increase and health insurance adjustments approved by the 2007 Legislature and restores salaries and benefits for vacancy savings realized in FY 2008. This program experienced 26 percent actual vacancy savings in FY 2008.

DP 600 - Rent Increase - The executive budget increases federal spending authority for increased rent expenses allocated to the federal programs as a result of the agency moving to new office space in FY 2009.

DP 601 - Additional Federal Authority for GEAR UP - Montana GEAR UP operates under a six year discretionary federal grant. The executive budget includes additional federal authority that would allow all the GEAR UP grant to be expended and to provide federally funded college scholarships to GEAR UP students.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year.

MUS Workers Compensation Program -- Proposed Budget					
Budget Item	Actual Base	FY 2010 Adjustments	FY 2010 Total	FY 2011 Adjustments	FY 2011 Total
FTE					
61000 Personal Services	\$78,926	(\$18)	\$78,908	(\$5)	\$78,921
62000 Operating Expenses	487,996	61,383	549,379	86,400	574,396
67000 Benefits & Claims	2,475,792	425,000	2,900,792	450,000	2,925,792
69000 Debt Service	<u>25,297</u>	<u>0</u>	<u>25,297</u>	<u>0</u>	<u>25,297</u>
Total Costs	<u>\$3,068,011</u>	<u>\$486,365</u>	<u>\$3,554,376</u>	<u>\$536,395</u>	<u>\$3,604,406</u>

Program Description

The Montana Board of Regents created the Montana University System Self-Funded Workers' Compensation Program in April 2003 as allowed by the Workers' Compensation Act in Title 39, Chapter 71 of the Montana Codes Annotated. This program, which became effective in July 2003, provides workers' compensation insurance coverage for all university system employees and employees of the Office of Commissioner of Higher Education. The MUS Self-Funded Workers' Compensation Insurance Committee, comprised of nine voting members, one from each of the eight participating campuses of the Montana University System and one from the Office of the Commissioner of Higher Education, is responsible for policy and management decisions of the program.

Program Highlights

MUS Self-Funded Workers Compensation Program Major Budget Highlights	
◆	Bonds issued at the program's inception to establish a claim reserve have been retired, reducing program costs by \$436,000 annually
◆	Medical cost inflation and an aging workforce are contributing toward higher claims costs

Program Narrative*Revenues*

Revenue in this program comes from employer-paid premiums and interest earnings on the program fund.

Expenditures

Expenditures include claims, reinsurance premiums, and administrative costs. Claims are projected to increase by \$425,000 in FY 2010 and \$450,000 in FY 2011 from the base year. The primary cost drivers of increased claims cost in the self-insured workers compensation program are medical cost inflation and Montana's aging work force, which impact costs by lengthening the amount of time to heal and results in overall higher cost workers compensation claims.

Rate Explanation

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by the oversight committee. Two classifications are used to classify all MUS employees. The program does not currently use rate modifiers, rebates, or other premium adjustment methods. The oversight committee regularly

evaluates surplus adequacy based on Montana Department of Labor (DOL) and industry benchmarks, market conditions, and other related factors. The Montana University System must re-apply to the Montana Department of Labor for self-funding authority on an annual basis. To maintain self-funding the program must achieve DOL standards for a financially strong self-funding organization.

The following table shows historical and anticipated future sources and uses of funds for the operation of the enterprise fund that finances the MUS Workers Compensation Program.

2011 Biennium Report on Internal Service and Enterprise Funds MUS Self-Funded Workers Compensation Program				
Budget Item	Actual FY 2008	Budgeted FY 2009	Projected FY 2010	Projected FY 2011
Beginning Working Capital Balance	<u>\$2,553,620</u>	<u>\$4,485,414</u>	<u>\$5,115,424</u>	<u>\$5,115,424</u>
Operating Revenues				
Premiums	\$4,659,752	\$4,224,000	\$3,354,457	\$3,404,495
Other operating revenues ¹	<u>339,028</u>	<u>139,000</u>	<u>200,000</u>	<u>200,000</u>
Total Operating Revenues	\$4,998,780	\$4,363,000	\$3,554,457	\$3,604,495
Operating Expenses	<u>\$3,066,986</u>	<u>\$3,732,990</u>	<u>\$3,554,457</u>	<u>\$3,604,495</u>
Operating Gain (Loss)	<u>\$1,931,794</u>	<u>\$630,010</u>	<u>\$0</u>	<u>\$0</u>
Other sources (uses) of operating funds ²	\$0			
Prior period adjustments and accounting changes	<u>\$0</u>			
Ending Working Capital Balance	<u>\$4,485,414</u>	<u>\$5,115,424</u>	<u>\$5,115,424</u>	<u>\$5,115,424</u>
1 - Other operating revenues are from interest earned on account balance				
2 - Other sources (uses) are from gain (loss) on sale of fixed assets				

Funding

The MUS Workers Compensation Program is funded with an enterprise type proprietary fund. The legislature does not appropriate these funds. However, the program is included in the executive budget and the information contained in this section of the narrative is intended to meet the statutory requirements for a report containing financial status of enterprise type proprietary funds.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

MUS Workers Compensation Program - Present Law Adjustments				
DP #/Name	FY 2010		FY 2011	
	FTE	Costs	FTE	Costs
PL 700 FTE to manage MUS Work Comp Program	1.00	\$78,908	1.00	\$78,921
PL 701 Workers Comp Operating and Benefits	<u>0.00</u>	<u>486,000</u>	<u>0.00</u>	<u>536,000</u>
Total Present Law	<u>1.00</u>	<u>\$564,908</u>	<u>1.00</u>	<u>\$614,921</u>

**LFD
COMMENT**

The statewide adjustments remove the personal services costs for a position that was approved by the Board of Regents subsequent to the last legislative session and hired in June 2007. The position was added as a modified position and the costs associated with that position do not automatically carry forward into the next biennium. See the discussion under PL 0700 below which would make this position permanent.

PL 0700—FTE to manage MUS Work Comp Program--The executive budget would add 1.0 FTE and about \$158,000 in the 2011 biennium for a position that was approved by the Board of Regents and hired in June 2007. Prior to the hiring of this position, a contractor was used to manage the program.

DP701—Increased Operating and Benefit Costs-- The executive budget adds \$1.02 million enterprise fund authority in the 2011 biennium for increased contract expense for claims management, increased indirect cost expense, and projected claims increases.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	310,557	336,825	402,674	403,420	647,382	806,094	158,712	24.52%
Operating Expenses	127,598	251,001	133,533	133,834	378,599	267,367	(111,232)	(29.38%)
Grants	1,943,715	3,332,707	2,474,726	2,474,726	5,276,422	4,949,452	(326,970)	(6.20%)
Transfers	3,073,647	3,450,443	3,423,647	3,423,647	6,524,090	6,847,294	323,204	4.95%
Total Costs	\$5,455,517	\$7,370,976	\$6,434,580	\$6,435,627	\$12,826,493	\$12,870,207	\$43,714	0.34%
General Fund	90,093	93,274	140,065	140,062	183,367	280,127	96,760	52.77%
Federal Special	5,365,424	7,277,702	6,294,515	6,295,565	12,643,126	12,590,080	(53,046)	(0.42%)
Total Funds	\$5,455,517	\$7,370,976	\$6,434,580	\$6,435,627	\$12,826,493	\$12,870,207	\$43,714	0.34%

Program Description

The OCHE and the Office of Public Instruction coordinate the primarily federal efforts to support vocational education at the secondary and post-secondary levels.

Program Highlights

Workforce Development Program Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The executive budget remains level in the 2011 biennium ◆ The executive recommends converting the Director of 2-Year Education position to the Deputy Commissioner for 2-Year Education and funding \$100,000 of the cost of the position over the 2011 biennium with general fund <ul style="list-style-type: none"> • The 2-year education goals associated with this budget initiative include increasing enrollment in 2-year education, increasing dual enrollment of high school students, increasing enrollment of non-traditional students in 2-year education, and increasing enrollment of low-income students in 2-year education 	

Program Narrative

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Please refer to the agency narrative for a discussion of the identified significant goals for the 2011 biennium.

Funding

The following table shows program funding, by source, for the 2009 biennium adjusted base and the 2011 biennium as recommended by the Governor. The executive budget would decrease overall funding by less than one percent in the 2011 biennium. General fund comprises a small portion of the budget and is used to match administrative costs funded from the federal grant. Montana receives an allocation of federal funds from the Carl D. Perkins Career and Technical Education Act. A large portion, over 50 percent, of these federal funds is transferred to the Office of Public Instruction for distribution to secondary schools. Another significant portion of the federal funds, about 40 percent, is granted to postsecondary institutions.

Program Funding Table Work Force Development Pgm						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 90,093	1.7%	\$ 140,065	2.2%	\$ 140,062	2.2%
01100 General Fund	90,093	1.7%	140,065	2.2%	140,062	2.2%
03000 Total Federal Special Funds	5,365,424	98.3%	6,294,515	97.8%	6,295,565	97.8%
03215 Carl Perkins Federal Funds	5,000,092	91.7%	5,866,500	91.2%	5,867,550	91.2%
03951 Tech Prep Grant	365,332	6.7%	428,015	6.7%	428,015	6.7%
Grand Total	\$ 5,455,517	100.0%	\$ 6,434,580	100.0%	\$ 6,435,627	100.0%

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	90,093	90,093	180,186	64.32%	5,455,517	5,455,517	10,911,034	84.78%
Statewide PL Adjustments	(28)	(31)	(59)	(0.02%)	90,294	91,108	181,402	1.41%
Other PL Adjustments	0	0	0	0.00%	888,769	889,002	1,777,771	13.81%
New Proposals	50,000	50,000	100,000	35.70%	0	0	0	0.00%
Total Budget	\$140,065	\$140,062	\$280,127		\$6,434,580	\$6,435,627	\$12,870,207	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					108,894					109,672
Vacancy Savings					(16,777)					(16,809)
Inflation/Deflation					382					440
Fixed Costs					(2,205)					(2,195)
Total Statewide Present Law Adjustments					\$90,294					\$91,108
DP 800 - Rent Increase	0.00	0	0	7,758	7,758	0.00	0	0	7,991	7,991
DP 801 - Increased Federal Authority for Perkins	0.00	0	0	881,011	881,011	0.00	0	0	881,011	881,011
Total Other Present Law Adjustments										
	0.00	\$0	\$0	\$888,769	\$888,769	0.00	\$0	\$0	\$889,002	\$889,002
Grand Total All Present Law Adjustments					\$979,063					\$980,110

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

**LFD
COMMENT**

The primary components driving the personal services adjustment are annualization of the 2009 biennium pay plan and an estimated \$48,500 each year for increased salary and benefits for upgrading the Director of 2-Year Education position to the Deputy Commissioner for 2-Year Education.

DP 800 - Rent Increase - The executive budget would increase federal spending authority for increased rent expenses allocated to the federal programs as a result of the agency moving to new office space in FY 2009.

DP 801 - Increased Federal Authority for Perkins - The executive budget would allow the commissioner's office to award the federally funded grants and to transfer the required federal funding to OPI.

New Proposals

New Proposals										
-----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 802 - Fund Deputy Commissioner for 2-Year Education										
08	0.00	50,000	0	(50,000)	0	0.00	50,000	0	(50,000)	0
Total	0.00	\$50,000	\$0	(\$50,000)	\$0	0.00	\$50,000	\$0	(\$50,000)	\$0

DP 802 - Fund Deputy Commissioner for 2-Year Education - The executive budget would convert the Director of 2-year education position within OCHE to the Deputy Commissioner for 2-year education and fund \$50,000 per year of the position cost from state general fund.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: While the availability of 2-year education in Montana is broad and diverse, the number of students taking advantage of 2-year education is low. There is a need in Montana to increase participation at existing 2-year institutions, establish the 2-year sector as a viable starting point toward a 4-year degree, and create opportunities for adults to continue their education. The results of such actions will not only lower the net cost of delivering higher education, but increase college participation rates and the overall educational attainment of the state's population. The Montana University System hired a Deputy Commissioner of 2-year Education to lead this effort.

Project Outcomes:

- o Increase enrollment in 2-year education. Only 21 percent of the students enrolled in higher education in Montana choose to attend a 2-year institution. This places Montana behind most states in the nation in terms of the number of students utilizing 2-year education as a low cost entry point to higher education.
- o Provide opportunities for high school students seeking the academic and financial advantages of dual enrollment programs. Montana trails every state in the West and ranks 45th in the nation with respect to the percentage of the population 15 - 17 years old enrolled in at least one college course.
- o Increase adult students (over 24 years of age) enrollment. Montana trails every state in the West and every state but one in the nation in the percentage of citizens over 24 years old enrolled in at least one college course.
- o Increase enrollment of low-income students. Although average annual wages are improving, Montana's average annual wage per job is \$32,223, ranking 49th in the nation. Nonetheless, the vast majority of our college students -- 79 percent -- enroll at the higher-cost 4-year institutions.

Performance Criteria:

- o Increase enrollment in 2-year education by 10 percent over the biennium. Using Fall 2008 as the base semester,

enrollment will increase 10 percent by the end of Fall 2010.

- o Increase dual enrollment of high school students by 10 percent over the biennium. Using Fall 2008 as the base semester, dual enrollment will increase 10 percent system-wide by the end of Fall 2010.
- o Increase enrollment of non-traditional students in 2-year education by 10 percent over the biennium. Using Fall 2008 as the base semester, enrollment of non-traditional students (25 years and older) in 2-year education will increase 10 percent by the end of Fall 2010.
- o Increase enrollment of low-income student in 2-year education by 10 percent over the biennium. Using Fall 2008 as the base semester, enrollment of low income students (Pell grant recipients) in 2-year education will increase 10 percent by the end of Fall 2010.

Milestones: They are included in the performance indicators above.

FTE: Deputy Commissioner of Two-year Education

Funding: General fund of \$50,000 per year or \$100,000 for the biennium is requested. If the decision package is approved, the expanded job duties of the Deputy Commissioner will be funded with general fund. Due to restrictions on the use of the federal funding, not all of the job duties of the Deputy Commissioner are allowable to be charged against the federal grant, and therefore, general fund is requested. The total salary cost per year, including benefits, is estimated to be \$153,200 and of this amount, \$50,000 per year would be funded with general fund. Funding for the 2013 biennium would be \$50,000 annually, plus approved pay plan increases.

Obstacles:

- o Montana's two-year colleges have three different models (tribal college, community colleges, and colleges of technology). In addition, many of Montana's four-year colleges include two-year programs. Each of the three models involves different governance and funding structure, some of which are ultimately governed by the Board of Regents, but some of which are only partially governed by the Board, and some of which are not within the Board's supervisory authority at all. Therefore, the biggest challenge is creating a coordinated, collaborative system.
- o Achieving a number of the goals – e.g., dual enrollment, Adult Basic Education – will be much easier if changes in statute and policy are successfully achieved.
- o Reaching low-income and adult populations will be much easier if two-year college tuition is significantly reduced or needs-based aid is significantly increased.
- o The use of technology to reach communities and areas currently underserved by the Montana University System is a crucial piece of the enrollment plan. Not having the appropriate technological “backbone” to support that kind of outreach would be an obstacle.

Risk:

- o Without much more accessible and effective dual enrollment opportunities, the cost of education for high school students will be higher than it is in other states and higher than it needs to be.
- o Because students who would prosper in a two-year college setting tend to choose the university setting in Montana, the cost of their education is higher and their persistence to degree is not what it could be.
- o Without a more collaborative and consistent approach to two-year education, the cost of education at Montana's two-year colleges will be higher than it is in other states and higher than it needs to be.
- o Over half of Montana's citizens without a high school diploma or the equivalent are neither working nor looking for work. They represent a pool of potential that the Montana economy cannot afford to leave untapped.
- o Unless we engage more adults in higher education, we will fail to move that sector of the population from unskilled, low-wage jobs to the skilled, high-wage jobs of the 21st century.
- o The difference in income between the adult without a two-year degree and the adult with at least an associate's degree is approximately 12 percent of the average annual income in Montana. This difference escalates with each higher degree.

**LFD
COMMENT**

The societal goals of two-year education are described in the Risk narrative above, namely improving the economic condition of persons in Montana without a higher education and improving college affordability by reducing the cost of attendance (price) to students. The legislature may wish to engage in discussion with the Montana University System on the specific strategies that are either in place or that will be used to accomplish the project outcomes identified above.

The legislature may also want to discuss with the Montana University System the statute changes that are necessary to achieve any of the project outcomes (see second bullet under Obstacles).

Finally, if the legislature funds this budget initiative it may want to monitor the initiative implementation during the 2011 biennium interim. This is discussed further in the agency summary section of the budget analysis narrative.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Transfers	165,546,241	177,229,073	182,362,771	184,116,853	342,775,314	366,479,624	23,704,310	6.92%
Total Costs	\$165,546,241	\$177,229,073	\$182,362,771	\$184,116,853	\$342,775,314	\$366,479,624	\$23,704,310	6.92%
General Fund	147,491,080	160,297,751	163,380,562	164,634,644	307,788,831	328,015,206	20,226,375	6.57%
State Special	18,055,161	16,931,322	18,982,209	19,482,209	34,986,483	38,464,418	3,477,935	9.94%
Total Funds	\$165,546,241	\$177,229,073	\$182,362,771	\$184,116,853	\$342,775,314	\$366,479,624	\$23,704,310	6.92%

Program Description

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education (OCHE) is the conduit through which state funds flow to: 1) the university system units and colleges of technology and other campus related appropriations; and 2) the research/public service agencies.

The program budget is organized in this section in the order listed below. Present law and new proposal adjustments together with explanations will be included with the following subprograms:

- o Educational Units (Montana State University campuses and University of Montana campuses)
- o Agricultural Experimental Station (AES)
- o Extension Services (ES)
- o Forestry and Conservation Experiment Station (FCES)
- o Montana Bureau of Mines and Geology (Bureau)
- o Fire Services Training School (FSTS)
- o Miscellaneous Subprograms

Program Highlights

Appropriation Distribution Program Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The executive increases state funding for the educational units and research/public service agencies \$23.7 million in the 2011 biennium from the 2009 biennium, primarily for present law adjustments ◆ The College Affordability Plan is not continued in the 2011 biennium ◆ The executive makes the 2009 biennium one-time-only funding for PBS permanent 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Given that the executive budget proposal is based upon public policy decisions, rather than statutory formulas, the legislature may want to consider other funding levels to address concerns about access and affordability of higher education 	

Program Narrative

Higher Education Funding

Determining the state appropriation for higher education in Montana is unlike any other state agency due to the diverse nature of funds that support the university system, the governance authority of the Board of Regents, and the fund structure used by the system. This section of the budget analysis narrative provides a brief background on higher education funding in Montana.

University Funds

The MUS is funded from several sources, including the state general fund and statewide six-mill levy, tuition and fees, federal and private grants, service fees, service operations, and other sources. Using national accounting standards and state statute, the university system classifies its revenue and expenditures into various fund types.

State funds appropriated for general operations and tuition are classified as “current unrestricted” funds. Revenues from state appropriations and tuition constitute the primary revenues for the current unrestricted fund at university educational units. The state funds appropriated to the university system for general operations (i.e. HB 2, pay plan) are deposited to the current unrestricted fund at each unit.

Other fund types include current restricted (federal grants), current designated (service fees), current auxiliary (service operations such as dormitories), student loan funds, endowment funds, plant funds, and agency funds (fiduciary).

Budget Approval

When the legislature provides an appropriation of state funds for the university system, the appropriation authority extends only to the state funds. State statute authorizes the MUS to expend state funds appropriated in the general appropriations act contingent upon regent approval of a comprehensive operating budget by October 1 of each fiscal year. The comprehensive operating budget approved by the regents each year includes the current unrestricted fund and the other funds listed above.

State’s Role

While the Montana Constitution grants governance authority to the Board of Regents, the power to appropriate state funds remains with the legislature. With this “power of the purse” comes the authority to attach policy decisions and accountability measures to the funding.

State funds are an important component of university funding because:

- o State general fund support is the second largest source of current unrestricted revenue for the MUS, after tuition
- o General fund appropriations in House Bill 2 provide the vehicle with which the legislature may have a public policy impact upon the MUS
- o Montana Supreme Court decisions say that the Regents’ power to govern must be harmonized with the legislature’s power to appropriate, set public policy, and ensure accountability of state revenue and expenditures

State Appropriations

The legislature considers many factors to develop the MUS appropriation including:

- o Projected student enrollment
- o Base year actual expenditures and funding
- o State funds available
- o Legislative priorities
- o Governor’s recommendation

- o Board of Regents' requests

Since the 1995 legislative session, the legislature has combined the appropriation for the six four-year campuses, five colleges of technology, and most of the Office of the Commissioner of Higher Education into a single, biennial lump-sum appropriation. Appropriations for the remaining units are contained in line items in the general appropriations act (House Bill 2). Long range building funds are appropriated in House Bill 5 for capital projects. The legislature also appropriates general fund to support the state pay plan that is applied to MUS employees.

State Percent Share

The state percent share is that proportion of the current unrestricted fund for the university educational units that is funded by state funds (general fund and six mill levy revenue). In FY1988 the state percent share of the university educational units' budget was 74 percent while in FY2008 the state percent share was 41 percent. This percentage is important as part of the university system budget because historically (the 2009 biennium being a recent exception) the actual state percent share level from the base year budget is used to drive state funding levels to support present law programs in the next budget. In the 2009 biennium, the legislature approved the Governor's College Affordability Plan proposal that funded budget increases based in the proportion of Montana resident students to total enrollment and resulted in zero tuition rate increases for Montana students in FY 2008 and FY 2009.

Tuition Revenue

The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature. Tuition revenue fills the "gap" between the approved expenditure budget for educational units and state funds appropriated by the legislature (general fund and six mill levy revenue).

Proposed Executive Budget

The 2011 biennium proposed executive budget would increase state funding to the Montana University System educational agencies and research/public service agencies 6.9 percent from the 2009 biennium. Biennial budget increases would range from 1.8 percent at the Forest and Conservation Experiment Station to 25 percent for the Motorcycle Safety program at Montana State University-Northern.

The executive budget holds resident student enrollment projections at the same level (26,756) as last biennium's projection. No budget adjustment is included in the executive budget for enrollment.

The figure below presents historical actual student FTE enrollment since FY 1998 and budgeted student FTE enrollment for the 2011 biennium for the Montana University System educational units.

Montana University System Student FTE Enrollment					
Fiscal 1998 - Fiscal 2011					
	Resident	Annual	Change	Total	Resident as a
Fiscal Year	Student FTE	% Change	from Base	Student FTE	% of Total
FY 98 Actual	24,323			31,227	77.9%
FY 99 Actual	24,436	0.5%		31,383	77.9%
FY 00 Actual	24,605	0.7%		31,498	78.1%
FY 01 Actual	24,851	1.0%		31,566	78.7%
FY 02 Actual	25,565	2.9%		32,090	79.7%
FY 03 Actual	26,225	2.6%		32,673	80.3%
FY 04 Actual	26,828	2.3%		33,181	80.9%
FY 05 Actual	26,321	-1.9%		32,763	80.3%
FY 06 Actual	26,422	0.4%		33,089	79.9%
FY 07 Actual	26,298	-0.5%		33,138	79.4%
FY 08 Actual (Base)	26,278	-0.1%		33,349	78.8%
FY 09 Projected	26,565	1.1%		33,743	78.7%
FY 10 Budgeted	26,756		478	34,049	78.6%
FY 11 Budgeted	26,756		478	34,147	78.4%
Excludes Community Colleges					
FY10 & FY 11 Resident Student FTE budgeted same as the number budgeted for 2009 Biennium					

The executive budget would convert the one-time-only \$400,000 biennial appropriation authorized by the 2007 Legislature for Public Broadcasting System (PBS) satellite delivery in the 2011 biennium into a permanent, base appropriation.

The executive budget includes present law budget adjustments applied to other state agencies, including annualization of the 2009 biennium pay plan, inflation and fixed costs, and 4 percent vacancy savings applied to non-faculty positions. The executive budget also includes adjustments not routinely applied to other state agencies, including employee merit and market adjustments and faculty promotions and salary floors by campus, faculty termination costs, other operating cost inflationary increases, and zero-based personal services items.

LFD ISSUE

Executive Budget Includes Pay Plan Costs in Present Law Budget

The executive budget includes personal services costs that in previous biennia have been funded via the pay plan bill. For the 2011 biennium, the executive includes approximately \$1.6 million general fund for employee merit and market salary adjustments. In the 2009 biennium, the legislature included funding for merit and market adjustments in the pay plan bill. The legislature may wish to discuss whether these costs for the university system should be budgeted in the same manner as other state agencies for the 2011 biennium, or if including these costs in the general appropriations act as recommended by the executive is acceptable.

No College Affordability Plan Proposal for the 2011 Biennium

The executive budget does not include funding to continue the College Affordability Plan (CAP) into the 2011 biennium. In the 2009 biennium, the Governor and the Board of Regents agreed upon an overall present law expenditure budget for the university educational units and the executive proposed a sufficient level of funding for that present law budget that eliminated the need for resident tuition increases each year of the 2009 biennium. The key component of the CAP present law budget was that the state percent share of funding the present law adjustments and the executive pay plan was 84.7 percent (compared to approximately 39 percent in the 2007 biennium). This new level of 84.7 percent was the ratio of Montana resident students and Western Undergraduate Exchange (WUE) students to total students. The state share basis in the 2007 biennium was the portion of state funds to the total general operating budget.

The 2007 Legislature approved the executive proposal and the Board of Regents did not increase resident tuition rates at the Montana University System educational units in FY 2008 and FY 2009.

For the 2011 biennium, there is no CAP proposal and no agreement to keep resident tuition rates at the FY 2007 level. However, there were extensive negotiations between the executive and the Board of Regents to agree upon a present law expenditure budget for the educational units and the research/public service agencies in the 2011 biennium for proposal to the 2009 Legislature. The present law expenditure budget agreed upon between the executive and the regents totals \$816.8 million current unrestricted funds in the 2011 biennium, a \$39.0 million or 5.0 percent increase from the 2009 biennium.

How the Executive Proposes to Fund the Present Law Expenditure Budget in the 2011 Biennium

The executive budget funds the proposed present law budget increase in two steps (see DP 902 and DP 903) because the executive funds a portion of the present law budget increase, from FY 2008 to FY 2009, at the state percent share authorized by the 2007 Legislature and the remaining portion, from FY 2009 to FY 2011, at the state percent share used in previous biennia.

The first step (DP 902), which adds the state share of present law cost increases from FY 2008 to FY 2009, continues the CAP funding policy recommended by the Governor for the 2009 biennium of funding present law adjustments on the basis of Montana resident students served to total students served. The state share percentage used in the first step is 84.7 percent.

The second step (DP 903), which adds the state share of present law cost increases from FY 2009 through FY 2011, uses the historical policy of funding present law adjustments on the basis of the proportion of the current unrestricted fund for the university educational units in the base year that is funded by state funds. The state share percentage used in this second step is 42 percent.

Overall, combining both steps, the executive budget funds the proposed 2011 biennium present law adjustments with 60.8 percent state funds.

Impact of the Proposed Executive Budget

As just noted, the executive budget funds the proposed 2011 biennium present law adjustments with 60.8 percent state funds (combining DP 902 and DP 903). The amount of present law adjustment expenditures that remain after the state share is funded is a budget “gap”, and totals \$22.5 million. Most of this “gap”, \$21.9 million, relates to the educational units.

The regents would have three primary choices to address the budget “gap” at the educational units: increase tuition, reduce expenditures, or a combination of both. If the budget “gap” was addressed entirely through tuition rate increases from the FY 2009 level, on a system wide basis, tuition rates for resident and nonresident students would increase approximately 3.0 percent each year of the 2011 biennium. If the budget “gap” was addressed entirely through expenditure reductions, it is possible that service reductions would be necessary.

Figure 1 illustrates the recent resident tuition and fee increases for 4 year, 2 year, and community colleges in Montana. The increase between FY 2007 and FY 2008 for the 4-year and 2-year tuition rates is attributable to mandatory fee increases. Tuition rates did not increase at the 4-year and 2-year units. However, both tuition and mandatory fees increased at community colleges between FY 2007 and FY 2008. The community colleges were not part of the CAP program in the 2009 biennium.

Figure 1 Montana University System			
Mandatory Tuition and Fee Rates for the Educational Units and Community Colleges - Montana Resident Students (1998 - 2008)			
Fiscal Year	Four-Year Campuses	Two-Year Campuses	Community Colleges
1998	\$2,629	\$2,049	\$1,423
1999	2,834	2,228	1,473
2000	2,952	2,274	1,605
2001	3,062	2,288	1,619
2002	3,428	2,522	1,797
2003	3,956	2,670	1,891
2004	4,124	2,710	2,122
2005	4,500	2,932	2,318
2006	4,942	3,036	2,502
2007	5,331	3,137	2,744
2008	5,404	3,181	3,079
Annual Growth Rate	7.5%	4.5%	8.0%
Total Growth 1998-2008	105.6%	55.2%	116.4%

Source: Montana University System, Inventory and Validation of Fees Report (1997-2007) 2008, OCHE [Units use weighted averages...Community Colleges use averages]

LFD ISSUE

Evaluating College Affordability

The goal of promoting education affordability for Montana resident students was addressed in the 2009 biennium by the College Affordability Plan (CAP) that resulted in a resident tuition rate freeze for both years of the 2009 biennium. The executive budget does not continue the CAP into the 2011 biennium. One potential impact of discontinuing the CAP is that tuition rates will increase in the 2011 biennium. The legislature may want to monitor the measurable objectives identified in the Board of Regents 2008 Strategic Plan for this goal, including:

- o Specific tuition guidelines
- o State support as a percentage of total personal income
- o Tuition as a percentage of median household income

College affordability may be impacting current and prospective students in the Montana University System. Consider the following statistics from the Montana Board of Regents 2008 Strategic Plan:

- o 74 percent of 4-year freshmen return for the sophomore year, but only 41 percent graduate within 6 years
- o 77 percent of first-time students entering 4-year institutions and 79 percent of first-time students entering 2-year institutions receive financial aid compared to 72 percent and 62 percent, respectively, in other WICHE states
- o The average state funded need-based aid per student in Montana in 2006-07 was \$124 compared to the regional average of \$235
- o The average unmet need (cost of attendance less the expected family contribution and average aid award) of students receiving Pell grants in Montana in 2006-07 was \$10,197

Put in a simple way, college affordability is when the cost of attendance is less than or equal to the resources available to pay the price (cost of attendance). Tuition is a part of the “cost of attendance” calculation that colleges and universities make annually for financial aid decision purposes. The cost of attendance includes tuition and mandatory fees, books and supplies, room and board, and personal or transportation costs. In Montana, the tuition portion of the total cost of attendance for a resident undergraduate student ranged from 25 percent to 34 percent of the total cost of attendance in academic year 2005-06. Therefore, when tuition rates rise, the cost of attendance rises, and college affordability is impacted.

**LFD
ISSUE (CONT.)**

If the legislature is concerned about college affordability, it may want to consider mitigating tuition rate increases for Montana resident students. However, the legislature may want to consider other factors impacting college affordability as well as, or instead of, tuition.

Some examples of other factors impacting college affordability include, but are not limited to:

- o Academically prepared students entering the postsecondary system could reduce the need for remedial courses, thereby reducing the time to graduation for some students and possibly improving retention rates for other students
- o Reducing the length of time to graduation, for example from five years to four years, reduces the overall cost to the student/family by 20 percent
- o Completing college courses while still in high school (dual enrollment) reduces the overall cost of attendance by earning college credit prior to enrolling in a postsecondary institution
- o Increasing the amount of student financial aid or scholarships addresses the “resources available” side of the college affordability equation

The Montana Board of Regents 2008 Strategic Plan addresses these factors collectively in the first overarching goal of the plan, which is to increase the educational attainment of Montanans. The plan also describes strategic initiatives the MUS will undertake to achieve each goal and measurable objectives to evaluate progress toward each goal.

If the legislature is concerned about college affordability but is uncertain about the most effective way to invest limited resources, it may want to discuss these and other factors that affect college affordability with the Regents, the Commissioner of Higher Education, and MUS leadership to evaluate the current strategies used to improve affordability and identify the strategies that are most effective.

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Please refer to the agency narrative for a discussion of the identified significant goals for the 2011 biennium.

Funding

The following table shows program funding, by source, for the 2009 biennium adjusted base and the 2011 biennium as recommended by the Governor.

Program Funding Table							
Appropriation Distribution							
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011	
01000 Total General Fund	\$ 147,491,080	89.1%	\$ 163,380,562	89.6%	\$ 164,634,644	89.4%	
01100 General Fund	147,491,080	89.1%	163,380,562	89.6%	164,634,644	89.4%	
02000 Total State Special Funds	18,055,161	10.9%	18,982,209	10.4%	19,482,209	10.6%	
02289 Bureau Of Mines Groundwater	666,000	0.4%	666,000	0.4%	666,000	0.4%	
02443 University Millage	17,065,323	10.3%	17,865,323	9.8%	18,365,323	10.0%	
02576 Natural Resources Operations Ssr Fu	103,838	0.1%	175,886	0.1%	175,886	0.1%	
02944 Motorcycle Safety Training	220,000	0.1%	275,000	0.2%	275,000	0.1%	
Grand Total	\$ 165,546,241	100.0%	\$ 182,362,771	100.0%	\$ 184,116,853	100.0%	

While funding for this program is primarily general fund, state special revenue from the six-mill property tax levy funds the university educational units, Resource Indemnity Trust funds (RIT) and oil and gas and metal mines taxes support research programs at the Montana Bureau of Mines, and program fees and an allocation from drivers license fees support the motorcycle safety program at MSU-Northern in Havre.

The figure below illustrates how the executive budget funds each component of the appropriation distribution program, including each campus of the university educational units, the research/public service agencies, and a number of line-item program initiatives.

Appropriation Distribution Program (09) -- 2011 Biennium Executive Budget Proposal										
	Base FY 2008	Approp FY 2009	State Share Present Law FY 2010	New Proposals FY 2010	Executive Budget FY 2010	State Share Present Law FY 2011	New Proposals FY 2011	Executive Budget FY 2011	2011 Biennium Total	2011 Biennium % Change
Educational Units										
UM - Missoula	\$45,186,426	\$48,451,144	\$4,708,098		\$49,894,524	\$5,165,270		\$50,351,696	\$100,246,220	7.06%
MSU - Bozeman	44,863,936	48,501,592	5,063,026		49,926,962	5,698,628		50,562,564	100,489,526	7.63%
UM - MT Tech	11,529,160	12,504,082	1,410,248		12,939,408	1,596,666		13,125,826	26,065,234	8.45%
MSU - Billings	18,016,449	19,313,937	1,811,897		19,828,346	1,962,604		19,979,053	39,807,399	6.64%
MSU - Northern	7,872,772	8,467,961	609,235		8,482,007	612,529		8,485,301	16,967,308	3.83%
UM - Western	6,170,885	6,518,909	392,663		6,563,548	429,700		6,600,585	13,164,133	3.74%
Great Falls COT	4,846,776	5,335,265	992,747		5,839,523	1,047,100		5,893,876	11,733,399	15.24%
Helena COT	3,548,527	3,776,721	417,842		3,966,369	448,418		3,996,945	7,963,314	8.71%
Dental Hygiene Program (GFCOT)	235,000	235,000			235,000			235,000	470,000	0.00%
Science and Water (MSU-N)	240,000	240,000			240,000			240,000	480,000	0.00%
PBS Satellite Delivery (MSU)	-	-	-	200,000	200,000	-	200,000	200,000	400,000	
Family Practice Residency (MSU)	319,366	319,366			319,366			319,366	638,732	0.00%
Yellow Bay Biological Institute (UM)	125,000	125,000			125,000			125,000	250,000	0.00%
Motorcycle Safety Program (MSU-N)	220,000	220,000	55,000	-	275,000	55,000	-	275,000	550,000	25.00%
Subtotal	<u>\$143,174,297</u>	<u>\$154,008,977</u>	<u>\$15,460,756</u>	<u>\$200,000</u>	<u>\$158,835,053</u>	<u>\$17,015,915</u>	<u>\$200,000</u>	<u>\$160,390,212</u>	<u>\$319,225,265</u>	<u>7.42%</u>
Research/Public Service Agencies										
Ag Experiment Station	\$12,102,217	\$12,521,657	\$419,440		\$12,521,657	\$520,660		\$12,622,877	\$25,144,534	2.11%
Extension Services	5,725,432	5,932,434	386,391		\$6,111,823	445,894		6,171,326	12,283,149	5.36%
Forest and Conservation ES	1,124,312	1,165,732	41,420		\$1,165,732	41,420		1,165,732	2,331,464	1.81%
Bureau of Mines	2,644,107	2,840,638	260,724		2,904,831	295,626		2,939,733	5,844,564	6.56%
Fire Service Training School	<u>775,876</u>	<u>759,634</u>	<u>47,799</u>		<u>\$823,675</u>	<u>51,097</u>		<u>826,973</u>	<u>1,650,648</u>	<u>7.50%</u>
Subtotal	<u>\$22,371,944</u>	<u>\$23,220,095</u>	<u>\$1,155,774</u>	<u>\$0</u>	<u>\$23,527,718</u>	<u>\$1,354,697</u>	<u>\$0</u>	<u>\$23,726,641</u>	<u>\$47,254,359</u>	<u>3.65%</u>
Grand Total Program 09	<u>\$165,546,241</u>	<u>\$177,229,072</u>	<u>\$16,616,530</u>	<u>\$200,000</u>	<u>\$182,362,771</u>	<u>\$18,370,612</u>	<u>\$200,000</u>	<u>\$184,116,853</u>	<u>\$366,479,624</u>	<u>6.92%</u>
Source: SAHBRS data for Base Year Expenditures and the Executive 2011 Biennium Budget										

Six-Mill Property Tax Levy

The executive budget projects that the six-mill levy revenue account will decrease from \$34.3 million in the 2009 biennium to \$34.2 million in the 2011 biennium. This property tax levy is authorized at 15-10-107, MCA, and 20-25-423, MCA.

**LFD
ISSUE****Revenue and Transportation Committee Six-Mill Levy Revenue Estimates Exceed Executive Budget**

Taking into account the ending fund balance and the revenue projections for the six-mill levy account, Revenue and Transportation Committee estimates for the available six-mill levy revenue during the 2011 biennium exceed the executive budget proposal as follows:

- o \$858,064 additional six-mill revenue in FY 2010
- o \$209,118 additional six-mill revenue in FY 2011

Legislative Options

The legislature could appropriate some or all of this additional revenue. Options would include:

- o Option One – Appropriate six-mill levy revenue to replace general fund, such that the total university system funding level would remain the same, as an equal amount of general fund would be replaced by six-mill levy revenue
- o Option Two – Appropriate six-mill levy revenue as additional funding
- o Option Three – Do not appropriate any additional six-mill levy revenue, but leave this for an ending fund balance at the close of the 2011 biennium

If revenue projections for the six-mill levy funding are not met such that the appropriation would exceed the available revenue, the university system would not receive funding for the amount that was not met.

It should be noted that the six-mill levy revenue is restricted by law for appropriation to the university educational units and may not be appropriated for any other use.

Natural Resource Operations State Special Revenue Account

The 2007 Legislature created the natural resource operations state special revenue account and allocated revenues from the Resource Indemnity Trust Fund, metal mines license tax proceeds, and oil and natural gas production taxes to the account. Appropriations were authorized by the 2007 Legislature from this account for the Department of Natural Resources and Conservation (DNRC), the Montana Bureau of Mines, and other non-DNRC agencies. This account is authorized at 15-38-301, MCA.

The natural resource operations state special revenue is used at the Montana Bureau of Mines for general program support. The 2007 Legislature authorized this funding to support present law personal services cost increases and operational support in the 2009 biennium.

**LFD
ISSUE****Natural Resource Operations Account is Over-Allocated in the Executive Budget**

For the 2011 biennium, the executive budget expenditure recommendations, including an estimate of pay plan costs, exceeds the projected revenue available in this account by the end of the biennium. The legislature may wish to reduce expenditures in all related program budgets proportionately or selectively reduce program expenditures to balance the projected revenues with approved expenditures. The joint appropriation subcommittees on education and natural resources may wish to consult before making a final appropriation decision on this state special revenue account.

Natural Resources Operations State Special Revenue Executive Budget Request				
Fund Analysis FY 2008 - FY 2011				
Item	Actual FY 2008	Appropriated FY 2009	Executive Budget	
			FY 2010	FY 2011
Beginning Balance	\$4,536,375	\$4,178,494	\$2,659,729	\$1,112,900
Revenues	<u>4,407,536</u>	<u>3,806,068</u>	<u>2,967,412</u>	<u>3,411,553</u>
Total Funds Available	<u>\$8,943,911</u>	<u>\$7,984,562</u>	<u>\$5,627,141</u>	<u>\$4,524,453</u>
<u>Non-DNRC Expenditures</u>				
Water Court	\$905,805	\$951,711	\$1,047,422	\$1,053,147
Mt Bureau of Mines & Geology	103,838	175,886	175,886	175,886
State Library Commission	251,401	251,436	0	0
Department of Environmental Quality	<u>1,662,001</u>	<u>1,776,798</u>	<u>2,140,571</u>	<u>2,148,429</u>
Subtotal Non-DNRC Expenditures	\$2,923,045	\$3,155,831	\$3,363,879	\$3,377,462
<u>DNRC Expenditures</u>				
Centralized Services Division	\$203,934	\$440,247	\$0	\$0
Conservation & Resource Development Division	1,328,062	1,400,871	713,896	686,491
Water Resources Division	210,376	227,884	228,221	228,423
Forestry Division	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Subtotal DNRC Expenditures	\$1,842,372	\$2,169,002	\$1,042,117	\$1,014,914
Potential Pay Plan Impact in 2011 Biennium	<u>\$0</u>	<u>\$0</u>	<u>\$108,245</u>	<u>\$216,489</u>
Total Expenditures	<u>\$4,765,417</u>	<u>\$5,324,833</u>	<u>\$4,514,241</u>	<u>\$4,608,865</u>
Ending Fund Balance	<u>\$4,178,494</u>	<u>\$2,659,729</u>	<u>\$1,112,900</u>	<u>(\$84,412)</u>

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	147,491,080	147,491,080	294,982,160	89.93%	165,546,241	165,546,241	331,092,482	90.34%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	15,689,482	16,943,564	32,633,046	9.95%	16,616,530	18,370,612	34,987,142	9.55%
New Proposals	200,000	200,000	400,000	0.12%	200,000	200,000	400,000	0.11%
Total Budget	\$163,380,562	\$164,634,644	\$328,015,206		\$182,362,771	\$184,116,853	\$366,479,624	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
	-----Fiscal 2010-----					-----Fiscal 2011-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special
DP 902 - Adjust Funding to the 2009 Level of State Support									
	0.00	11,624,835	72,048	0	11,696,883	0.00	11,624,835	72,048	0
DP 903 - Fund Present Law to 2011 Biennium Level									
	0.00	4,864,647	0	0	4,864,647	0.00	6,618,729	0	0
DP 930 - General Fund Replacement with Six Mill Levy Funds									
	0.00	(800,000)	800,000	0	0	0.00	(1,300,000)	1,300,000	0
DP 9015 - Motorcycle Safety (Northern)									
	0.00	0	55,000	0	55,000	0.00	0	55,000	0
Total Other Present Law Adjustments	0.00	\$15,689,482	\$927,048	\$0	\$16,616,530	0.00	\$16,943,564	\$1,427,048	\$0
Grand Total All Present Law Adjustments					\$16,616,530				\$18,370,612

Program Personal Services Narrative

No personal services are appropriated in this program.

The present law adjustments and new proposals contained in the executive budget for the educational units and public service and research agencies are summarized here. Specific information relating to present law adjustments and new proposals contained in the executive budget are discussed in this narrative at the subprogram level that follows.

DP 902 - Adjust Funding to the 2009 Level of State Support - The executive budget adjusts the base level of funding to the 2009 level of state support as the first step in funding educational units and the agencies. This increase includes such items as annualization of the 2009 pay-plan, faculty and staff merit and promotion increases, new space, IT fixed costs and operating costs.

DP 903 - Fund Present Law to 2011 Biennium Level - The executive budget would add present law funding of state support at the percentage funding in the base year to fund the educational units and the agencies. The percentage funding was taken from the total ongoing state share in FY 2008 and excluded statutory appropriations.

DP 930 - General Fund Replacement with Six Mill Levy Funds - The executive budget would replace general fund with six-mill levy state special revenue at the level anticipated to be available net of anticipated reappraisal mitigation.

DP 9015 - Motorcycle Safety (Northern) - The executive budget would add \$55,000 per year for the Montana motorcycle safety program for replacement of older motorcycles, maintenance on existing motorcycles, increased marketing expenses, and increased operating expenses. The program is funded from fees collected by the Department of Justice at the time motorcycles are registered and fees charged to program participants.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 920 - PBS Restore One-Time Funding to be Ongoing										
09	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
Total	0.00	\$200,000	\$0	\$0	\$200,000	0.00	\$200,000	\$0	\$0	\$200,000

DP 920 - PBS Restore One-Time Funding to be Ongoing - The executive budget would restore the one-time-only \$400,000 general fund biennial appropriation approved by the 2007 Legislature for the Public Broadcast System (PBS) satellite delivery and make the appropriation part of the ongoing base.

Sub-Program Details**EDUCATIONAL UNITS -SP 01****Sub-Program Proposed Budget**

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Budget Comparison	Base FY 2008	Approp. FY 2009	Exec Budget FY 2010	Exec Budget FY 2011	Biennium 2008-09	Biennium 2010-11	Biennium Change	Biennium % Change
Transfers	<u>\$142,509,931</u>	<u>\$153,344,611</u>	<u>\$158,115,687</u>	<u>\$159,670,846</u>	<u>\$295,854,542</u>	<u>\$317,786,533</u>	<u>\$21,931,991</u>	<u>7.41%</u>
Total Costs	\$142,509,931	\$153,344,611	\$158,115,687	\$159,670,846	\$295,854,542	\$317,786,533	\$21,931,991	7.41%
General Fund	\$125,444,608	\$137,475,175	\$140,213,882	\$141,145,227	\$262,919,783	\$281,359,109	\$18,439,326	7.01%
State/Other Special	<u>17,065,323</u>	<u>15,869,436</u>	<u>17,901,805</u>	<u>18,525,619</u>	<u>32,934,759</u>	<u>36,427,424</u>	<u>3,492,665</u>	<u>10.60%</u>
Total Funds	\$142,509,931	\$153,344,611	\$158,115,687	\$159,670,846	\$295,854,542	\$317,786,533	\$21,931,991	7.41%

Sub-Program Description

Sub-program 01 includes the state appropriation for the university educational units and the colleges of technology (Montana State University campuses and University of Montana campuses).

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	125,444,608	125,444,608	250,889,216	89.11%	142,509,931	142,509,931	285,019,862	89.69%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	14,605,756	15,660,915	30,266,671	10.75%	15,405,756	16,960,915	32,366,671	10.19%
New Proposals	200,000	200,000	400,000	0.14%	200,000	200,000	400,000	0.13%
Total Budget	\$140,250,364	\$141,305,523	\$281,555,887		\$158,115,687	\$159,670,846	\$317,786,533	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2010-----					-----Fiscal 2011-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 902 - Adjust Funding to the 2009 Level of State Support									
0.00	10,848,731	0	0	10,848,731	0.00	10,848,731	0	0	10,848,731
DP 903 - Fund Present Law to 2011 Biennium Level									
0.00	4,557,025	0	0	4,557,025	0.00	6,112,184	0	0	6,112,184
DP 930 - General Fund Replacement with Six Mill Levy Funds									
0.00	(800,000)	800,000	0	0	0.00	(1,300,000)	1,300,000	0	0
Total Other Present Law Adjustments									
0.00	\$14,605,756	\$800,000	\$0	\$15,405,756	0.00	\$15,660,915	\$1,300,000	\$0	\$16,960,915
Grand Total All Present Law Adjustments				\$15,405,756					\$16,960,915

DP 902 - Adjust Funding to the 2009 Level of State Support - The executive budget adjusts the base level of funding to the 2009 level of state support as the first step in funding educational units and the agencies. This increase includes such items as annualization of the 2009 pay-plan, faculty and staff merit and promotion increases, new space, IT fixed costs and operating costs.

DP 903 - Fund Present Law to 2011 Biennium Level - The executive budget would add present law funding of state support at the percentage funding in the base year to fund the educational units and the agencies. The percentage funding was taken from the total ongoing state share in FY 2008 and excluded statutory appropriations.

**LFD
COMMENT**

The percentage funding for the educational units used in the executive budget for this decision package averaged 40.3 percent.

DP 930 - General Fund Replacement with Six Mill Levy Funds - The executive budget would replace general fund with six-mill levy state special revenue at the level anticipated to be available net of anticipated reappraisal mitigation.

New Proposals

New Proposals										
-----Fiscal 2010-----						-----Fiscal 2011-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 920 - PBS Restore One-Time Funding to be Ongoing										
01	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
Total	0.00	\$200,000	\$0	\$0	\$200,000	0.00	\$200,000	\$0	\$0	\$200,000

DP 920 - PBS Restore One-Time Funding to be Ongoing - The executive budget would restore the one-time-only \$400,000 general fund biennial appropriation approved by the 2007 Legislature for the Public Broadcast System (PBS) satellite delivery and make the appropriation part of the ongoing base.

Sub-Program Details**AES TRANSFERS - SP 09****Sub-Program Proposed Budget**

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Budget Comparison	Base FY 2008	Approp. FY 2009	Exec Budget FY 2010	Exec Budget FY 2011	Biennium 2008-09	Biennium 2010-11	Biennium Change	Biennium % Change
Transfers	\$12,102,217	\$12,521,657	\$12,521,657	\$12,622,877	\$24,623,874	\$25,144,534	\$520,660	2.11%
Total Costs	\$12,102,217	\$12,521,657	\$12,521,657	\$12,622,877	\$24,623,874	\$25,144,534	\$520,660	2.11%
General Fund	\$12,102,217	\$12,521,657	\$12,521,657	\$12,622,877	\$24,623,874	\$25,144,534	\$520,660	2.11%
State/Other Special	0	0	0	0	0	0	0	
Total Funds	\$12,102,217	\$12,521,657	\$12,521,657	\$12,622,877	\$24,623,874	\$25,144,534	\$520,660	2.11%

Sub-Program Description

The Agriculture Experiment Station (AES) was established at Montana State University in Bozeman by the Montana legislature in 1893 under Hatch Act authorization enacted by the United States Congress. The station is the agricultural research component of the land-grant university's three-part mission of teaching, research and service. AES also has a cooperative program at the Fort Keogh Livestock and Range Research Laboratory in Miles City, where livestock production efficiency and rangeland resource research is conducted.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	12,102,217	12,102,217	24,204,434	96.26%	12,102,217	12,102,217	24,204,434	96.26%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	419,440	520,660	940,100	3.74%	419,440	520,660	940,100	3.74%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$12,521,657	\$12,622,877	\$25,144,534		\$12,521,657	\$12,622,877	\$25,144,534	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments											
-----Fiscal 2010-----						-----Fiscal 2011-----					
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds	
DP 902 - Adjust Funding to the 2009 Level of State Support											
	0.00	419,440	0	0	419,440		0.00	419,440	0	0	419,440
DP 903 - Fund Present Law to 2011 Biennium Level											
	0.00	0	0	0	0		0.00	101,220	0	0	101,220
Total Other Present Law Adjustments											
	0.00	\$419,440	\$0	\$0	\$419,440		0.00	\$520,660	\$0	\$0	\$520,660
Grand Total All Present Law Adjustments											
				\$419,440						\$520,660	

DP 902 - Adjust Funding to the 2009 Level of State Support - The executive budget adjusts the base level of funding to the 2009 level of state support as the first step in funding educational units and the agencies. This increase includes such items as annualization of the 2009 pay-plan, faculty and staff merit and promotion increases, new space, IT fixed costs and operating costs.

DP 903 - Fund Present Law to 2011 Biennium Level - The executive budget would add present law funding of state support at the percentage funding in the base year to fund the educational units and the agencies. The percentage funding was taken from the total ongoing state share in FY 2008 and excluded statutory appropriations.

LFD COMMENT

The state percent share calculation for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY 2008 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state percent share for the Agriculture Experiment Station in the 2011 biennium budget is calculated at 84.1 percent.

Sub-Program Details**EXTENSION SERVICE TRF - SP 10****Sub-Program Proposed Budget**

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Budget Comparison	Base FY 2008	Approp. FY 2009	Exec Budget FY 2010	Exec Budget FY 2011	Biennium 2008-09	Biennium 2010-11	Biennium Change	Biennium % Change
Transfers	\$5,725,432	\$5,932,434	\$6,111,823	\$6,171,326	\$11,657,866	\$12,283,149	\$625,283	5.36%
Total Costs	\$5,725,432	\$5,932,434	\$6,111,823	\$6,171,326	\$11,657,866	\$12,283,149	\$625,283	5.36%
General Fund	\$5,725,432	\$5,932,434	\$6,111,823	\$6,171,326	\$11,657,866	\$12,283,149	\$625,283	5.36%
State/Other Special	0	0	0	0	0	0	0	
Total Funds	\$5,725,432	\$5,932,434	\$6,111,823	\$6,171,326	\$11,657,866	\$12,283,149	\$625,283	5.36%

Sub-Program Description

The Extension Service (ES) was established in 1914 as a result of the federal Smith-Lever Act. The Extension Service mission is to disseminate and encourage practical use of research about agricultural production and marketing, family and consumer science, and human resource development. The central office is housed on the MSU-Bozeman campus, but there are 52 county extension offices that serve 55 of Montana's 56 counties.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	5,725,432	5,725,432	11,450,864	93.22%	5,725,432	5,725,432	11,450,864	93.22%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	386,391	445,894	832,285	6.78%	386,391	445,894	832,285	6.78%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$6,111,823	\$6,171,326	\$12,283,149		\$6,111,823	\$6,171,326	\$12,283,149	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 902 - Adjust Funding to the 2009 Level of State Support										
0.00	207,002		0	0	207,002	0.00	207,002	0	0	207,002
DP 903 - Fund Present Law to 2011 Biennium Level										
0.00	179,389		0	0	179,389	0.00	238,892	0	0	238,892
Total Other Present Law Adjustments										
0.00	\$386,391		\$0	\$0	\$386,391	0.00	\$445,894	\$0	\$0	\$445,894
Grand Total All Present Law Adjustments										
				\$386,391					\$445,894	

DP 902 - Adjust Funding to the 2009 Level of State Support - The executive budget adjusts the base level of funding to the 2009 level of state support as the first step in funding educational units and the agencies. This increase includes such items as annualization of the 2009 pay-plan, faculty and staff merit and promotion increases, new space, IT fixed costs and operating costs.

DP 903 - Fund Present Law to 2011 Biennium Level - The executive budget would add present law funding of state support at the percentage funding in the base year to fund the educational units and the agencies. The percentage funding was taken from the total ongoing state share in FY 2008 and excluded statutory appropriations.

**LFD
COMMENT**

The state percent share calculation for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY 2008 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state percent share for the Extension Service in the 2011 biennium budget is calculated at 68.6 percent.

Sub-Program Details**FCES TRANSFER - SP 11****Sub-Program Proposed Budget**

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Budget Comparison	Base FY 2008	Approp. FY 2009	Exec Budget FY 2010	Exec Budget FY 2011	Biennium 2008-09	Biennium 2010-11	Biennium Change	Biennium % Change
Transfers	\$1,124,312	\$1,165,732	\$1,165,732	\$1,165,732	\$2,290,044	\$2,331,464	\$41,420	1.81%
Total Costs	\$1,124,312	\$1,165,732	\$1,165,732	\$1,165,732	\$2,290,044	\$2,331,464	\$41,420	1.81%
General Fund	\$1,124,312	\$1,165,732	\$1,165,732	\$1,165,732	\$2,290,044	\$2,331,464	\$41,420	1.81%
State/Other Special	0	0	0	0	0	0	0	
Total Funds	\$1,124,312	\$1,165,732	\$1,165,732	\$1,165,732	\$2,290,044	\$2,331,464	\$41,420	1.81%

Sub-Program Description

The Forestry and Conservation Experiment Station was established by the legislature in 1937, codified at 20-25-241, MCA, for the scientific investigation of natural resource problems including forestland resources, timber, and relationships between forests and water, pasturage, and recreation. The station is directed by the Dean of the School of Forestry that serves as the research unit of the University of Montana School of Forestry in Missoula.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	1,124,312	1,124,312	2,248,624	96.45%	1,124,312	1,124,312	2,248,624	96.45%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	41,420	41,420	82,840	3.55%	41,420	41,420	82,840	3.55%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$1,165,732	\$1,165,732	\$2,331,464		\$1,165,732	\$1,165,732	\$2,331,464	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments											
-----Fiscal 2010-----						-----Fiscal 2011-----					
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds	
DP 902 - Adjust Funding to the 2009 Level of State Support											
	0.00	41,420	0	0	41,420		0.00	41,420	0	0	41,420
Total Other Present Law Adjustments											
	0.00	\$41,420	\$0	\$0	\$41,420		0.00	\$41,420	\$0	\$0	\$41,420
Grand Total All Present Law Adjustments											
					\$41,420						\$41,420

DP 902 - Adjust Funding to the 2009 Level of State Support - The executive budget adjusts the base level of funding to the 2009 level of state support as the first step in funding educational units and the agencies. This increase includes such items as annualization of the 2009 pay-plan, faculty and staff merit and promotion increases, new space, IT fixed costs and operating costs.

LFD COMMENT The state percent share calculation for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY2008 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state percent share for the Forestry and Conservation Experiment Station in the 2011 biennium budget is calculated at 99.7 percent.

Sub-Program Details**BUREAU TRANSFERS - SP 12****Sub-Program Proposed Budget**

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Budget Comparison	Base FY 2008	Approp. FY 2009	Exec Budget FY 2010	Exec Budget FY 2011	Biennium 2008-09	Biennium 2010-11	Biennium Change	Biennium % Change
Transfers	<u>\$2,644,107</u>	<u>\$2,840,639</u>	<u>\$2,904,831</u>	<u>\$2,939,733</u>	<u>\$5,484,746</u>	<u>\$5,844,564</u>	<u>\$359,818</u>	<u>6.56%</u>
Total Costs	\$2,644,107	\$2,840,639	\$2,904,831	\$2,939,733	\$5,484,746	\$5,844,564	\$359,818	6.56%
General Fund	\$1,874,269	\$1,998,753	\$2,062,945	\$2,097,847	\$3,873,022	\$4,160,792	\$287,770	7.43%
State/Other Special	<u>769,838</u>	<u>841,886</u>	<u>841,886</u>	<u>841,886</u>	<u>1,611,724</u>	<u>1,683,772</u>	<u>72,048</u>	<u>4.47%</u>
Total Funds	\$2,644,107	\$2,840,639	\$2,904,831	\$2,939,733	\$5,484,746	\$5,844,564	\$359,818	6.56%

Sub-Program Description

The Bureau of Mines and Geology (Bureau) is a public service and research agency located at Montana Tech in Butte. The Bureau disseminates information through publications and conducts field and laboratory studies on all mineral resources, metallic and nonmetallic minerals, fuels, and groundwater.

The groundwater assessment programs at the bureau are funded at 15-38-202, MCA, by the Resource Indemnity Trust Fund, which was created, in part, for the purpose of supporting ground water assessment programs specific to areas that may experience environmental damage caused by mineral extraction.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	1,874,269	1,874,269	3,748,538	90.09%	2,644,107	2,644,107	5,288,214	90.48%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	188,676	223,578	412,254	9.91%	260,724	295,626	556,350	9.52%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$2,062,945	\$2,097,847	\$4,160,792		\$2,904,831	\$2,939,733	\$5,844,564	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments											
-----Fiscal 2010-----						-----Fiscal 2011-----					
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds	
DP 902 - Adjust Funding to the 2009 Level of State Support											
0.00	124,484	72,048		0	196,532	0.00	124,484	72,048	0	196,532	
DP 903 - Fund Present Law to 2011 Biennium Level											
0.00	64,192		0	0	64,192	0.00	99,094		0	99,094	
Total Other Present Law Adjustments											
0.00	\$188,676	\$72,048		\$0	\$260,724	0.00	\$223,578	\$72,048	\$0	\$295,626	
Grand Total All Present Law Adjustments											
				\$260,724						\$295,626	

DP 902 - Adjust Funding to the 2009 Level of State Support - The executive budget adjusts the base level of funding to the 2009 level of state support as the first step in funding educational units and the agencies. This increase includes such items as annualization of the 2009 pay-plan, faculty and staff merit and promotion increases, new space, IT fixed costs and operating costs.

DP 903 - Fund Present Law to 2011 Biennium Level - The executive budget would add present law funding of state support at the percentage funding in the base year to fund the educational units and the agencies. The percentage funding was taken from the total ongoing state share in FY 2008 and excluded statutory appropriations.

**LFD
COMMENT**

The state percent share calculation for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY 2008 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state percent share for the Bureau in the 2011 biennium budget is calculated at 96.8 percent.

Sub-Program Details

FSTS TRANSFERS - SP 19

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Budget Comparison	Base FY 2008	Approp. FY 2009	Exec Budget FY 2010	Exec Budget FY 2011	Biennium 2008-09	Biennium 2010-11	Biennium Change	Biennium % Change
Transfers	\$775,876	\$759,634	\$823,675	\$826,973	\$1,535,510	\$1,650,648	\$115,138	7.50%
Total Costs	\$775,876	\$759,634	\$823,675	\$826,973	\$1,535,510	\$1,650,648	\$115,138	7.50%
General Fund	\$775,876	\$759,634	\$823,675	\$826,973	\$1,535,510	\$1,650,648	\$115,138	7.50%
State/Other Special	0	0	0	0	0	0	0	
Total Funds	\$775,876	\$759,634	\$823,675	\$826,973	\$1,535,510	\$1,650,648	\$115,138	7.50%

Sub-Program Description

The Fire Services Training School (FSTS), located at the MSU College of Technology in Great Falls and authorized at 20-31-102, MCA, works to organize, supervise, and coordinate training and education for state fire services personnel across Montana in accordance with local needs and the standards established by the Board of Regents.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	775,876	775,876	1,551,752	94.01%	775,876	775,876	1,551,752	94.01%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	47,799	51,097	98,896	5.99%	47,799	51,097	98,896	5.99%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$823,675	\$826,973	\$1,650,648		\$823,675	\$826,973	\$1,650,648	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments											
-----Fiscal 2010-----						-----Fiscal 2011-----					
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds	
DP 902 - Adjust Funding to the 2009 Level of State Support											
	0.00	(16,242)	0	0	(16,242)		0.00	(16,242)	0	0	(16,242)
DP 903 - Fund Present Law to 2011 Biennium Level											
	0.00	64,041	0	0	64,041		0.00	67,339	0	0	67,339
Total Other Present Law Adjustments											
	0.00	\$47,799	\$0	\$0	\$47,799		0.00	\$51,097	\$0	\$0	\$51,097
Grand Total All Present Law Adjustments											
				\$47,799						\$51,097	

DP 902 - Adjust Funding to the 2009 Level of State Support - The executive budget adjusts the base level of funding to the 2009 level of state support as the first step in funding educational units and the agencies. This increase includes such items as annualization of the 2009 pay-plan, faculty and staff merit and promotion increases, new space, IT fixed costs and operating costs.

DP 903 - Fund Present Law to 2011 Biennium Level - The executive budget would add present law funding of state support at the percentage funding in the base year to fund the educational units and the agencies. The percentage funding was taken from the total ongoing state share in FY 2008 and excluded statutory appropriations.

**LFD
COMMENT**

The state percent share calculation for the research/public service agencies remains the ratio between state funding versus other funding sources in that agency during the FY 2008 base year budget. These other funding sources may include federal revenue, fee-for-service revenue, interest earnings, revenue from product sales, and other unique revenue sources.

The state percent share for the FSTS in the 2011 biennium budget is calculated at 99.5 percent.

Sub-Program Details**MISCELLANEOUS SYSTEM TRANSFERS -SP 24****Sub-Program Proposed Budget**

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Budget Comparison	Base FY 2008	Approp. FY 2009	Exec Budget FY 2010	Exec Budget FY 2011	Biennium 2008-09	Biennium 2010-11	Biennium Change	Biennium % Change
Transfers	\$664,366	\$664,366	\$719,366	\$719,366	\$1,328,732	\$1,438,732	\$110,000	8.28%
Total Costs	\$664,366	\$664,366	\$719,366	\$719,366	\$1,328,732	\$1,438,732	\$110,000	8.28%
General Fund	\$444,366	\$444,366	\$444,366	\$444,366	\$888,732	\$888,732	\$0	0.00%
State/Other Special	220,000	220,000	275,000	275,000	440,000	550,000	110,000	25.00%
Total Funds	\$664,366	\$664,366	\$719,366	\$719,366	\$1,328,732	\$1,438,732	\$110,000	8.28%

Sub-Program Description

This subprogram includes state appropriations for special programs at the educational units that do not directly impact student tuition:

- o MSU rural residency -- \$319,366 general fund each year
- o Yellow Bay -- \$125,000 general fund each year
- o Motorcycle safety training -- \$275,000 state special revenue each year

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	444,366	444,366	888,732	100.00%	664,366	664,366	1,328,732	92.35%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	55,000	55,000	110,000	7.65%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$444,366	\$444,366	\$888,732		\$719,366	\$719,366	\$1,438,732	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----					-----Fiscal 2011-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 9015 - Motorcycle Safety (Northern)										
0.00	0	55,000	0	55,000	0.00	0	55,000	0	55,000	
Total Other Present Law Adjustments										
0.00	\$0	\$55,000	\$0	\$55,000	0.00	\$0	\$55,000	\$0	\$55,000	
Grand Total All Present Law Adjustments				\$55,000						
										\$55,000

DP 9015 - Motorcycle Safety (Northern) - The executive budget would add \$55,000 per year for the Montana motorcycle safety program for replacement of older motorcycles, maintenance on existing motorcycles, increased marketing expenses, and increased operating expenses. The program is funded from fees collected by the Department of Justice at the time motorcycles are registered and fees charged to program participants.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Grants	450,002	450,000	911,402	911,402	900,002	1,822,804	922,802	102.53%
Total Costs	\$450,002	\$450,000	\$911,402	\$911,402	\$900,002	\$1,822,804	\$922,802	102.53%
General Fund	450,002	450,000	911,402	911,402	900,002	1,822,804	922,802	102.53%
Total Funds	\$450,002	\$450,000	\$911,402	\$911,402	\$900,002	\$1,822,804	\$922,802	102.53%

Program Description

The Tribal College Assistance program provides funding to support a portion of the costs of educating non-beneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations in Montana. Section 20-25-428, MCA requires the Board of Regents to provide assistance to tribal colleges “subject to a line item appropriation” by the legislature, up to a maximum of \$3,024 per year for each non-beneficiary student FTE. The statute does not establish a minimum appropriation level.

Tribal colleges are under federal jurisdiction to provide postsecondary education for tribal members but the colleges receive no federal funding assistance to support the costs of education for non-beneficiary students. Since student tuition rates typically do not cover the full cost of education, as the federal subsidy allows lower tuition rates, state funding to support non-beneficiary resident students is intended to keep tuition rates lower for these Montana students as well.

Program Highlights

Tribal College Assistance Major Budget Highlights	
◆	The executive recommends the one-time funding authorized by the 2007 Legislature become permanent, thus doubling the amount of base funding for non-beneficiary students in tribal colleges

Program Narrative

The Tribal College Assistance program was created by the 1995 Legislature in HB 544, a bill that appropriated \$1.4 million general fund to the Board of Regents for the 1997 biennium for distribution to the tribal colleges at a maximum rate of \$1,500 per Montana nonbeneficiary student. The program was codified into permanent statute by the 1997 Legislature in SB 84 with language that made the financial assistance to the tribal community colleges subject to a line item appropriation as well as continuing to limit the distribution per nonbeneficiary student to \$1,500 annually. The program’s statutory language was amended again by HB 16 in the 2005 session by increasing the maximum distribution per nonbeneficiary student to \$3,024 annually.

Statute sets a maximum distribution rate but neither the seminal legislation nor statutory changes since then have included a minimum distribution rate. Therefore, the legislature is not obligated by statute to provide any funding for non-beneficiary students under the Tribal College Assistance program, as the funding level is solely a matter of public policy for legislative determination each biennium.

A recent history of the state funding for nonbeneficiary Montana students attending tribal community colleges is shown in the figure below. The projected reimbursement that would result from the proposed executive budget is also shown in

the figure. Legislative appropriations for nonbeneficiary assistance have increased substantially in recent years. In the 2009 biennium, the legislature made \$1.014 million of the \$1.9 million appropriation a one-time-only appropriation. As discussed below, the Governor recommends making this one-time-only appropriation an ongoing appropriation in the 2011 biennium. The executive budget would result in an approximate reimbursement rate of \$3,013 each year of the 2011 biennium, assuming the same number of nonbeneficiary Montana students in the 2011 biennium as the average of the last three years.

State Funding for Nonbeneficiary Montana Students Attending Tribal Community Colleges FY 2006 through 2011						
Item	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Budget	FY 2010 Executive Budget	FY 2011 Executive Budget
Number of nonbeneficiary Montana students*	298.11	307.87	301.39	302.46	302.46	302.46
One-time state funds distributed for nonbeneficiary students	80,183	419,817	461,401	552,599	0	0
On-going state funds distributed for nonbeneficiary students	<u>400,000</u>		<u>450,002</u>	<u>450,000</u>	<u>911,402</u>	<u>911,402</u>
Total State funds distributed for nonbeneficiary students	<u>\$480,183</u>	<u>\$419,817</u>	<u>\$911,403</u>	<u>\$1,002,599</u>	<u>\$911,402</u>	<u>\$911,402</u>
Average state funds distribution per nonbeneficiary Montana student**	\$1,611	\$1,364	\$3,024	\$3,315	\$3,013	\$3,013
<u>State funds appropriation per Montana resident student for:</u>						
Community Colleges	3,015	3,088	3,793	4,100	4,248	4,288
Montana University System	4,631	4,645	5,332	5,806	5,910	5,968

*FY 2009 - FY 2011 estimate based upon FY 2006 - FY 2009 average of 302.46
 **Per Section 20-25-428, MCA, there is a maximum distribution of \$3,024 per nonbeneficiary student per year

The figure also compares the distribution per nonbeneficiary Montana student in this program to the average state funds distribution per Montana resident student for community colleges and the educational units of the Montana University System. As shown, the state funds per Montana student rate is highest for the Montana University System (\$5,968 in FY 2011), followed by community colleges (\$4,288 in FY 2011) and nonbeneficiary students at tribal colleges (\$3,013 in FY 2011).

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Please refer to the agency narrative for a discussion of the identified significant goals for the 2011 biennium.

Funding

The following table shows program funding, by source, for the 2009 biennium adjusted base and the 2011 biennium as recommended by the Governor. The executive budget increases 102.5 percent in the 2011 biennium as the Governor recommends the one-time funding authorized by the 2007 Legislature be made permanent.

Program Funding Table Tribal College Assistance Pgm						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 450,002	100.0%	\$ 911,402	100.0%	\$ 911,402	100.0%
01100 General Fund	<u>450,002</u>	<u>100.0%</u>	<u>911,402</u>	<u>100.0%</u>	<u>911,402</u>	<u>100.0%</u>
Grand Total	<u>\$ 450,002</u>	<u>100.0%</u>	<u>\$ 911,402</u>	<u>100.0%</u>	<u>\$ 911,402</u>	<u>100.0%</u>

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	450,002	450,002	900,004	49.37%	450,002	450,002	900,004	49.37%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	461,400	461,400	922,800	50.63%	461,400	461,400	922,800	50.63%
Total Budget	\$911,402	\$911,402	\$1,822,804		\$911,402	\$911,402	\$1,822,804	

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Program Personal Services Narrative

No personal services are appropriated in this program.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1101 - Restore One-Time Funding to be Ongoing										
11	0.00	461,400	0	0	461,400	0.00	461,400	0	0	461,400
Total	0.00	\$461,400	\$0	\$0	\$461,400	0.00	\$461,400	\$0	\$0	\$461,400

DP 1101 - Restore One-Time Funding to be Ongoing - The executive budget would add \$922,800 general fund to restore the one-time funding approved by the 2007 Legislature and make the funding become ongoing in the 2011 biennium.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	55.20	55.20	55.20	55.20	55.20	55.20	0.00	0.00%
Personal Services	2,419,311	2,972,493	2,880,433	2,888,068	5,391,804	5,768,501	376,697	6.99%
Operating Expenses	3,937,765	7,044,371	9,161,526	10,088,202	10,982,136	19,249,728	8,267,592	75.28%
Equipment & Intangible Assets	22,343	7,655	22,343	22,343	29,998	44,686	14,688	48.96%
Benefits & Claims	25,034,673	59,399,808	32,073,189	35,908,489	84,434,481	67,981,678	(16,452,803)	(19.49%)
Transfers	0	73,200	0	0	73,200	0	(73,200)	(100.00%)
Total Costs	\$31,414,092	\$69,497,527	\$44,137,491	\$48,907,102	\$100,911,619	\$93,044,593	(\$7,867,026)	(7.80%)
General Fund	0	0	0	0	0	0	0	n/a
Federal Special	31,414,092	69,497,527	44,137,491	48,907,102	100,911,619	93,044,593	(7,867,026)	(7.80%)
Total Funds	\$31,414,092	\$69,497,527	\$44,137,491	\$48,907,102	\$100,911,619	\$93,044,593	(\$7,867,026)	(7.80%)

Program Description

The Montana Guaranteed Student Loan Program (MGSLP) operates under federal regulation with federal funds to guarantee student loans that are made by private lenders to higher education students in Montana. GSL purchases and services student loans that are in default, works with students to prevent default, collects the outstanding balance from the defaulted loans for repayment to the US Department of Education, and provides training and technical assistance to schools and lenders. In addition to servicing the loans, the MGSLP program also provides counseling and assistance programs to students in an effort to prevent loan defaults. The Montana Guaranteed Student Loan program is authorized under 20-26-11, MCA.

Starting in 1979, the Montana Board of Regents accepted responsibility to serve as the “guarantor” of the funds private lenders would loan to Montana students under the federal student loan program. Without a government entity serving as guarantor, there would be little incentive for private lenders to make student loans to young people who typically have a high-risk profile (based upon age, income status, length of employment, and their intention to be full-time students). Therefore, the Board of Regents created the Montana Guaranteed Student Loan Program and agreed that they would “guarantee” private loans by agreeing to purchase defaulted student loans from private lenders and take responsibility for collecting on these loans.

Program Highlights

Guaranteed Student Loan Program Major Budget Highlights	
♦	The executive budget reduces the biennial budget for this program a net \$7.9 million resulting primarily from: <ul style="list-style-type: none"> • \$8.3 million biennial increase in operating expenses for new loan servicing contract and other operating increases • \$16.4 million biennial decrease in claims payments to private lenders
♦	Recent changes in federal higher education legislation have impacted the operation and scope of this program

Program Narrative

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Please refer to the agency narrative for a discussion of the identified significant goals for the 2011 biennium.

Funding

The following table shows program funding, by source, for the 2009 biennium adjusted base and the 2011 biennium as recommended by the Governor. The executive budget would result in an overall 7.8 percent budget reduction, largely due to biennial operating expense increases of \$8.3 million being offset by biennial claims payment decreases of \$16.4 million. This program is funded primarily from federal funds from the U.S. Department of Education relating to the operation of the program.

Program Funding Table Guaranteed Student Loan Pgm							
Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
03000	Total Federal Special Funds	\$ 31,414,092.00	100.0%	\$ 44,137,491.00	100.0%	\$ 48,907,102.00	100.0%
	03400 Guaranteed Std. Loan-Admin.	11,600,340	36.9%	19,495,196	44.2%	21,424,179	43.8%
	03401 U.S. Dept Ed / Gsl Recall Acct	19,792,634	63.0%	24,621,179	55.8%	27,461,807	56.2%
	03410 Gear Up Essay Scholarship	21,118	0.1%	21,116	0.0%	21,116	0.0%
Grand	Total	\$ 31,414,092	100.0%	\$ 44,137,491	100.0%	\$ 48,907,102	100.0%

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	31,414,092	31,414,092	62,828,184	67.52%
Statewide PL Adjustments	0	0	0	0.00%	444,693	432,224	876,917	0.94%
Other PL Adjustments	0	0	0	0.00%	12,278,706	17,060,786	29,339,492	31.53%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$44,137,491	\$48,907,102	\$93,044,593	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2010-----					-----Fiscal 2011-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				581,137					589,096
Vacancy Savings				(120,015)					(120,339)
Inflation/Deflation				6,224					6,725
Fixed Costs				(22,653)					(43,258)
Total Statewide Present Law Adjustments				\$444,693					\$432,224
DP 1201 - Loan Servicing Costs Increase									
0.00	0	0	5,240,190	5,240,190	0.00	0	0	6,186,970	6,186,970
DP 1202 - Increased Collection Costs									
0.00	0	0	2,655,516	2,655,516	0.00	0	0	3,637,816	3,637,816
DP 1203 - Increased Claims Payments									
0.00	0	0	4,383,000	4,383,000	0.00	0	0	7,236,000	7,236,000
Total Other Present Law Adjustments									
0.00	\$0	\$0	\$12,278,706	\$12,278,706	0.00	\$0	\$0	\$17,060,786	\$17,060,786
Grand Total All Present Law Adjustments				\$12,723,399					\$17,493,010

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

Please refer to the agency narrative for a discussion of the Office of the Commissioner of Higher Education pay plan and personal services costs.

DP 1201 - Loan Servicing Costs Increase - The executive budget increases federal spending authority by \$11.4 million over the 2011 biennium for increased loan servicing costs. In FY 2009 Montana Guaranteed Student Loan Program (MGSLP) entered into a contract with Great Lakes Higher Education Corporation for student loan guarantee/processing system and data processing services. The contract pricing is based upon MGSLP's outstanding principal balance of loan under guarantee. The costs would be funded 100 percent from federal funds.

LFD COMMENT

The executive budget includes a clerical error. The biennial present law adjustment for the loan servicing cost increase is included in the executive budget at \$11.4 million while the actual anticipated biennial cost increase is \$1.1 million.

DP 1202 - Increased Collection Costs - The executive budget increases federal spending authority by \$6.3 million over the 2011 biennium in order to meet projected increases in collection costs that are expected to be driven by changes in the guarantor funding model set forth in the College Cost Reduction and Access Act of 2007 that requires higher repayment levels to the federal government by MGSLP, and by a projected increase in default claims paid and the amount of defaulted loan dollars collected.

DP 1203 - Increased Claims Payments - The executive budget increases federal spending authority by \$11.6 million over the 2011 biennium in order to meet projected increases in claim payments that would be made to private lenders in order to purchase defaulted student loans, as required by the program's role as "guarantor". The MGSLP outstanding guarantee portfolio growth is attributed to increased loan limits and increased borrowing.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Personal Services	6,000	6,600	6,300	6,300	12,600	12,600	0	0.00%
Operating Expenses	40,478	25,525	42,594	45,067	66,003	87,661	21,658	32.81%
Local Assistance	0	0	0	0	0	0	0	n/a
Total Costs	\$46,478	\$32,125	\$48,894	\$51,367	\$78,603	\$100,261	\$21,658	27.55%
General Fund	46,478	32,125	48,894	51,367	78,603	100,261	21,658	27.55%
Total Funds	\$46,478	\$32,125	\$48,894	\$51,367	\$78,603	\$100,261	\$21,658	27.55%

Program Description

The Board of Regents program provides secretarial support, travel and per diem for the Board of Regents. The Board of Regents has full power, responsibility, and authority to supervise, coordinate, manage, and control the Montana University System under Article X, Section 9, Montana Constitution, and 20-25-301, MCA.

Program Highlights

Board of Regents Major Budget Highlights	
♦	The budget is entirely general funded
♦	The executive recommends a 28 percent biennial increase to budget higher travel costs incurred by the board in the base year
♦	Inflation allowed for regent mileage reimbursement

Program Narrative

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Please refer to the agency narrative for a discussion of the identified significant goals for the 2011 biennium.

Funding

The following table shows program funding, by source, for the 2009 biennium adjusted base and the 2011 biennium as recommended by the Governor. This program is funded entirely by state general fund.

Program Funding Table Board Of Regents-Admin						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 46,478	100.0%	\$ 48,894	100.0%	\$ 51,367	100.0%
01100 General Fund	46,478	100.0%	48,894	100.0%	51,367	100.0%
Grand Total	\$ 46,478	100.0%	\$ 48,894	100.0%	\$ 51,367	100.0%

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	46,478	46,478	92,956	92.71%	46,478	46,478	92,956	92.71%
Statewide PL Adjustments	(5,925)	(5,882)	(11,807)	(11.78%)	(5,925)	(5,882)	(11,807)	(11.78%)
Other PL Adjustments	8,341	10,771	19,112	19.06%	8,341	10,771	19,112	19.06%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$48,894	\$51,367	\$100,261		\$48,894	\$51,367	\$100,261	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(6,000)					(6,000)
Inflation/Deflation					75					118
Total Statewide Present Law Adjustments					(\$5,925)					(\$5,882)
DP 1301 - Board of Regents Per Diem										
0.00	6,300	0	0	6,300	0.00	6,300	0	0	6,300	
DP 1302 - Board of Regents Mileage										
0.00	2,041	0	0	2,041	0.00	4,471	0	0	4,471	
Total Other Present Law Adjustments										
0.00	\$8,341	\$0	\$0	\$8,341	0.00	\$10,771	\$0	\$0	\$10,771	
Grand Total All Present Law Adjustments					\$2,416					\$4,889

Program Personal Services Narrative

No salaries are appropriated under this program. Only per diem is appropriated under the personal services category to reimburse members of the board of regents.

DP 1301 - Board of Regents Per Diem - The executive budget would restore the per diem expenditure that is zero-based in the budget process. The per diem is calculated based on 7 regents attending 6 meetings per year that run for 3 days at a rate of \$50 per day (7x6x3x\$50=\$6,300/year).

DP 1302 - Board of Regents Mileage - The executive budget adds an inflationary adjustment for car mileage reimbursement for board members. The state car mileage reimbursement rate increased 19 percent from FY 2007 to 2008. The executive budget includes an inflationary adjustment of 19 percent each year of the 2011 biennium for projected mileage reimbursement rate increases.